

Stock Code : 1514

# 2022

## Annual Report



**ALLIS ELECTRIC CO.,LTD.**

Annual Report

**2022**

Issued on May 20, 2023

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

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

I. The Spokesperson and Deputy Spokesperson of the Company

Spokesperson Information	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

Address of Headquarters: 12F, No. 19-11, Sanchong Rd., Taipei City 11501

TEL: (02) 2655-3456

Address of Yangmei Factory: No. 202, Ln. 800, Zhongshan S. Rd., Yangmei Dist., Taoyuan City 32669

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: Yu-Ling Hung and Min-Chih Chuo

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 2022 were as follows:

### A. Production:

Total production total costs in 2022 were NT\$6,171,307,000 an increase of 34.71% (+NT\$1,590,252,000) of the previous year (NT\$4,581,055,000), with comparisons by product as follows:

	2022	2021	Growth Rate %
Electrical Products	1,724,155	1,317,155	+ 30.90
Transformers	835,341	556,529	+ 50.10
Electrical Equipment	651,269	628,119	+ 3.69
Electronic Products	1,397,728	966,763	+ 44.58
Materials	95,240	118,819	- 19.84
Engineering (With Installation)	1,464,331	991,601	+ 47.67
Other	3,243	2,069	+ 56.74
Total	6,171,307	4,581,055	+ 34.71

### B. Operations

Total operating revenue of the year was NT\$7,185,438,000 (90.47% was domestic sales valued at NT\$6,500,457,000 and 9.53% was external sales valued at NT\$684,981,000), an increase of 33.29% (NT\$5,390,995,000) of that of the previous year of NT\$1,794,443,000, with comparisons by product as follows:

	2022	2021	Growth Rate %
Electrical Products	1,943,636	1,457,654	+ 33.34
Transformers	1,014,482	619,711	+ 63.70
Electrical Equipment	813,768	830,414	- 2.00
Electronic Products	1,621,695	1,171,106	+ 38.48
Materials	152,974	176,210	- 13.19
Engineering (With Installation)	1,624,305	1,124,065	+ 44.50
Other	14,578	11,835	+ 23.19
Total	7,185,438	5,390,995	+ 33.29

### C. Profit:

Net income after tax of the fiscal year 2022 was NT\$508,831,000, an increase of 40.75% (NT\$361,521,000) of that of the fiscal year 2021 (NT\$147,310,000).

### D. General description in addition to operational policy, business summary, and development strategy of 2023:

## 1. General Description:

The Department of Budget, Accounting, and Statistics has released preliminary statistics of the Growth Rate of Real GDP in Taiwan in 2022, which is 2.45%. Furthermore, it forecasts that the Growth Rate of Real GDP in Taiwan in 2023 will be 2.12%, the lowest on record in the past eight years. The estimated Growth Rate of Real GDP in 2023 has been revised and decrease as global economic growth is slowing down, therefore causing the trading volume to also revised as it will affect the export performance of Taiwan. To maintain positive economic growth, the government is expected to invest a lot of effort to boost domestic consumption and increasing public and private investment. However, due to the tight monetary policy that global countries have used to fight deflation, in addition to the stalemate of the Russia-Ukraine war, end-consumer demand has decreased. Moreover, due to the inventory adjustment in the industrial supply chain, international trade momentum has sharply dropped, affecting private investment.

In recent years, the government's investment in public infrastructure has continued to increase, which is regarded as a bellwether to boost the economy. The policy of increasing domestic demand has been implemented for several years and is favorable to the domestic demand industry. Power outage events have occurred in recent years, and the execution of the Grid Resilience Strengthening Construction Plan by Taiwan Power Company is therefore imperative. We will continue to implement our Electrical Grid Resilience Upgrade Plan to help drive profitability as well as generate stable revenue for the company in the future. The company has been dedicated to innovation and transformation for many years. We continue to create and develop smart switch devices, solar photovoltaic equipment, energy storage and energy saving products developed for the Grid Resilience Strengthening Construction Plan by Taiwan Power Company, in addition to power electronics, electric buses, and railway vehicle charging equipment, all of which meet the current domestic grid improvement needs and the latest trends. In 2022, due to the great efforts made by all employees, the number of orders received has not only increased, but profits grew. Orders in hand also reached new highs. This is no mean feat given the current economic climate.

## 2. Operational Strategy:

The global economy will definitely face long-term structural adjustments. Structural transformation is a key change that Taiwan is facing and requires strategy and innovation. The business operating policy of the company in 2023 is focused on taking orders prudently while increasing added value; enhancing the management and control of accounts receivable and inventory to maximize the effectiveness of production-marketing; improving profitability and achieving positive cash flow. Furthermore, we are expecting to strengthen product quality and accelerate the development of new products so that the company can grow and transform continuously. We also aim to keep up with market trends and develop the Future Vision 2.0 Project to establish railway, green energy, and digital construction by expanding semiconductor factories, the equipment upgrade of Taiwan Power Company's smart substations, and the Electricity Distribution System Enhancement Program. Through innovation and the added-value created by market segmentation and expansion, product differentiation, and system customization, combined with mobility and flexibility, we will create our own blue ocean.

### 3. Orders, production and sales in 2023

As the number of orders in 2022 was larger than sales, current orders on hand can meet the needs of overall production capacity in 2023. Heavy electrical equipment industry is the basic industry in the country. The global economy, after decades of development, is driving the development of green energy, energy-saving solutions, energy storage, intelligence, and high efficiency, rendering old electrical equipment redundant. Over the years, we will continue to develop new products in line with this global shift. The number of orders and production and sales levels in 2023 are expected to grow steadily.

### 4. Company development strategy in the future

Our commitment 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 so orders could be fulfilled. All products meet the production capacity of the newly built electrical construction materials factory as well. The newly built Transformer Factory No.2 is officially launching in the second half of 2023 and will expand production capacity so we can win high-value orders, including pole-mounted transformers of Taiwan Power Company, and regular-medium and low-voltage transformers for semiconductor factories. Most countries in the world are aiming for net zero emissions by 2050. Taiwan Power Company is also deploying "Green Energy + Energy Storage" equipment. The company has been committed to the development of the large capacity PV INVERTER. In addition, charging equipment for electric buses, electric vehicles, and railway electric units also align with current trends, and a breakthrough is on the horizon. Regarding the future development of the new product and market, the company will remain focused on the development of new smart electrical equipment, power electronics, energy saving, energy storage, smart grid, and cloud application related products with accumulated core technology. All colleagues are working hard to achieve our 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) 2023 Outline of Business Plan

### A. Business Plan

1. According to the International Monetary Fund (IMF) forecast from October 2022, the global economic growth rate was revised to 3.2% in 2022 and is estimated to be 2.7% in 2023. The Department of Budget, Accounting and Statistics predicted that the annual economic growth rate for 2022 be 3.76%, while the economic growth rate for 2023 will slightly decrease to 3.05%. Due to the global pandemic, Taiwan's overall economic performance in recent years has been challenging. Due to the Ukrainian-Russian War, the prices of crude oil/natural gas and agricultural raw materials have significantly increased, and global supply chains have faced disruption, leading to global inflation. To reduce inflationary pressure, the US Federal Reserve System raised interest rates five times in a row by 12 points in 2022; interest rates were up to 3%. Rates are expected to increase by another 5 points by the end of the year. The Federal Reserve System's move has made it difficult to curb global inflation, affecting the decline in terminal demand among countries, seriously affecting the pace of international economic recovery, and causing stagnant inflation and increasing systemic risks to the international financial system.
2. The relationship between the two sides of the Taiwan Strait has become increasingly tense recently. It is unknown when the Sino-US economic, trade, and technology wars will end. Taiwan is still in a very awkward situation due to being excluded from the signing of regional free trade agreements, and its economic growth mainly relies on the complete supply of the information and communication industry chain to the world. During the pandemic, demand subsided. This structural adjustment will take time to restore to normal due to future oversupply. It is expected that related investments will stagnate as a consequence, and will be further driven by the government's continuous promotion of public construction investment. The government has a clear plan for strengthening the power grid to meet the urgent needs of domestic demand industries.
3. Opening sources is not easy, and raw material prices and exchange rates fluctuate fiercely. It is important to control costs in advance and continuously reduce and control expenses in each case. Each business unit and each case need to generate reasonable added value and squeeze expected profits. Due to the relatively high amount of accounts receivable and inventory, and interest rate hikes, it is necessary to shorten payment recovery and inventory turnover periods, increase bank credit limits, and focus on cash flow and reinvestment control to maintain a stable financial structure, growth, and sustainable development of the group.
4. Although research and development have shown good results in recent years, it is still necessary to carefully evaluate and shorten product launch times so sales of new products continue to exceed the annual revenue of self-made products by more than 20% as the norm.
5. After the 303 Taiwan blackout in the domestic power market, Taiwan Power Company will invest heavily in the construction of a resilient power grid with a budget of NT\$ 500 billion, providing huge business opportunities for the future development of heavy power plants in the domestic market, construction of rail industries, such as Taiwan Railway, MRT, and LRT, intelligent applications such as green power, power storage, and power-savings, electric bus/rail vehicle charging equipment, and in cloud and big data, IDC machine rooms, and 5G/6G. We can also integrate systems, strengthen engineering outsourcing, consolidate and improve market share, and gain a competitive advantage to drive the Company's growth.



6. In terms of foreign markets, we can strengthen the management of foreign subsidiaries, participate in exhibitions and promote new products in a timely manner, and use strategic cooperation models to drive product exports, ensuring the continuous growth of foreign sales value.
7. We also adhere to our people-oriented business philosophy, bravely face generational succession, cultivate talent from various departments and set our people up for success, and enable our old and new branches to flourish.

**B. Forecast Sales Volume and Basis:**

According to the domestic and international 2022 economy, and the order schedule received by the Company, the 2023 sales volume are projected as follows:

Type of Product	2022Sales Volume	2023Sales Volume (estimate)
Electrical Products	16,630 Sets	17,000 Sets
Transformers	9,510 Units	12,000 Units
Electrical Equipment	19,400 Sets	20,000 Sets
Electronic Products	11,020 Sets	15,000 Sets
Replaced Material	—	—
Engineering (With Installation)/ Other Operation Income	—	

**C. Important Production and Marketing Policies**

1. Implement ISO9001 quality management, ISO14001 environmental management, ISO45001 Occupational Safety and Health Management, and the spirit of the Code of Conduct-Responsibility Business Alliance (RBA) to achieve the goal of satisfying customers with excellent products and services. We also actively promote sustainable development of enterprises in terms of Environment, Social and Governance (ESG), establish various functional organizations, and promote them comprehensively, including the establishment of ISO14064-1 greenhouse gas inventory and ISO50001 energy management system.
2. In Yangmei District, a new production site has been established with well-planned production lines and processes, continuously improving process and automation technology to increase productivity and strengthen collaborative resources, to achieve optimal production capacity with streamlined manpower, increased marginal productivity, and maximized added-value.
3. In cooperation with the law and customer requirements, the Company actively acquires industry and related product certifications by grasping and striving for business opportunities driven by forward-looking infrastructure plans. We also take into consideration the long-term deployment and construction planning of relative measures for power conservation and carbon reduction.
4. We also focus on communication, smart grid/green power/power storage, power savings and implementation, track industry infrastructure, EMU and related charging devices, 5G/6G, cloud big data, and IoT related product integration and applications. The Company has combined its R&D foundation and all subsidiaries, as well as domestic and international sales channels, to create new technology, new products, and new business opportunities.

## 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	<ul style="list-style-type: none"> <li>⊕ Collaborated and invested with Shikoku Marine Electric Co., Ltd. to establish the Taiwan Marine Electric Co., Ltd.</li> <li>⊕ Collaborated with Aichi Electric Works Co., Ltd. in April to sign the distribution apparatus technical cooperation.</li> <li>⊕ Collaborated with SIEMENS-ALLIS INC. in September to produce 69KV air break switch (ABS).</li> <li>⊕ Assessed by MOEA as First-Grade Factory in distribution apparatus and voltage.</li> </ul>
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	<ul style="list-style-type: none"> <li>⊕ Developed Quality Control Circle (QCC) activities in September.</li> <li>⊕ Awarded with metal in "Quality Control Distinguished Factory" by BSMI of MOEA in October.</li> </ul>
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	<ul style="list-style-type: none"> <li>⊕ Yangmei Factory Phase I construction completed in April.</li> <li>⊕ Collaborated with Takamatsu in November to produce gas switch of 15KV and lower of SF6 gas switch.</li> </ul>
1987	⊕ Yangmei Factory Phase II new factory build in July, "Sheet Plating Factory" officially operated on 17th of July.

Year	Course of Development
1988	<ul style="list-style-type: none"> <li>⊕ Yangmei Factory Phase III Building Operating in October.</li> <li>⊕ The Company passed the corporate synergy team by Industrial Development Bureau of MOEA in November and officially established the Allis E&amp;M Center Satellite Factory System.</li> </ul>
1989	<ul style="list-style-type: none"> <li>⊕ Signed investment contract with Nissin Electric Co., Ltd. from Japan.</li> <li>⊕ 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.</li> <li>⊕ Signed technical transfer contract for “remote terminal unit (RTU)” with ITRI Computer and Communication Industry Research Institute in May.</li> <li>⊕ Collaborated with KEARNEY NATIONAL INC. from U.S. on technology cooperation in December to produce fuse cut out.</li> </ul>
1990	<ul style="list-style-type: none"> <li>⊕ Yangmei Factory Phase IV Distribution Apparatus Factory building in March.</li> </ul>
1991	<ul style="list-style-type: none"> <li>⊕ Collaborated with KEARNEY NATIONAL INC. for hydraulic circuit breaker in October.</li> <li>⊕ Cooperated with INTERNATIONAL POWER MACHINES CORP. for technical production of UPS In October.</li> <li>⊕ 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.</li> </ul>
1992	<ul style="list-style-type: none"> <li>⊕ Technical collaboration with ABB from Germany in July to produce MNS TYPE MCC.</li> </ul>
1993	<ul style="list-style-type: none"> <li>⊕ 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.</li> </ul>
1994	<ul style="list-style-type: none"> <li>⊕ Became listed company on March 26.</li> <li>⊕ Awarded with ISO-9001 international standard quality assurance system recognition and registration in May.</li> <li>⊕ Awarded with Chinese Society for Quality-Quality Control Group Award in September.</li> </ul>
1995	<ul style="list-style-type: none"> <li>⊕ Reinvested in ARES TECHNOLOGY Co., Ltd. in April to produce UPS equipment and related products.</li> <li>⊕ Reinvested in Allis Communications in November to product and sell GPS antenna, TV planar antenna and antenna for airplane, vessel, automobile, and mobile phones.</li> </ul>
1996	<ul style="list-style-type: none"> <li>⊕ The Company’s distribution apparatus and voltage are awarded with TEEMA Golden Quality Award and Excellent Function Award in March.</li> </ul>
1997	<ul style="list-style-type: none"> <li>⊕ Collaborated with Nissin Electric Co., Ltd. in June to produce the 25.8KV GIS pressure insulation switch equipment.</li> </ul>
1998	<ul style="list-style-type: none"> <li>⊕ Collaborated with POWERTRONIX S.P.A in June to develop intermediate and large high-frequency three-phase UPS.</li> </ul>
1999	<ul style="list-style-type: none"> <li>⊕ Collaborated with RECTIFIER TECHNOLOGY in December to produce new high-frequency exchange converter.</li> </ul>
2000	<ul style="list-style-type: none"> <li>⊕ Reinvested in AEC SPA in December to engage in power electric product sales.</li> </ul>

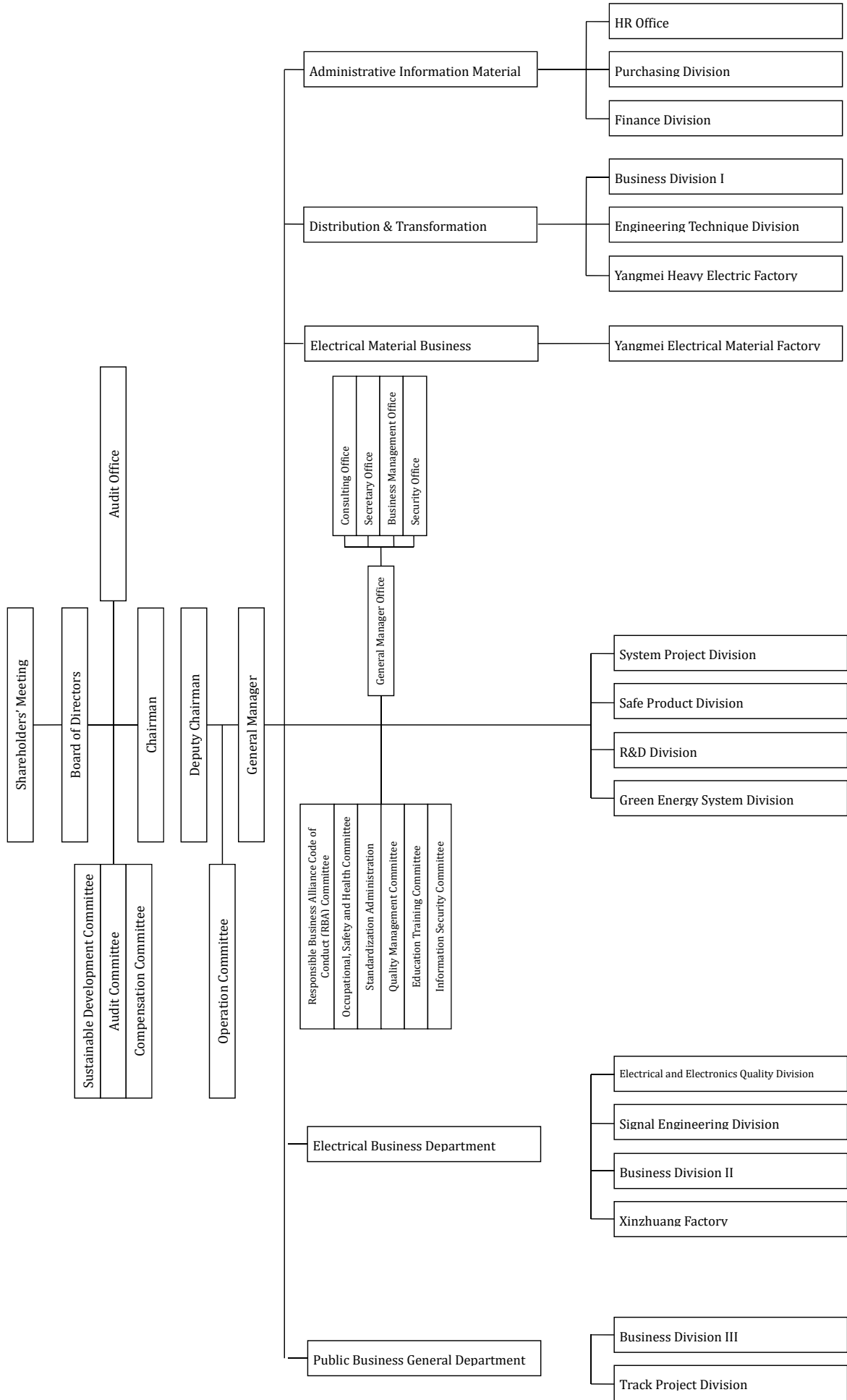
Year	Course of Development
2001	⊕ Reinvested in Nissin Allis Union Ion Equipment Co., Ltd. in May to engage in the maintenance and services for semiconductor equipment.
2002	⊕ Reinvested in Nippon Signal Co., Ltd. in March to engage in railway signal and traffic signal maintenance and buy/sell business. ⊕ 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 Allis 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 Silicone 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/IEC17025 from 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 Elektrik 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 projects 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.
2022	⊕ Invest in ChargeSmith Co., Ltd. as a supplier of electric vehicle DC charging equipment and power management for the Company. ⊕ Establish a subsidiary of ALLIS ELECTRIC(S) PTE.LTD. to engage in product sales business. ⊕ In November, a Sustainable Development Committee was established to coordinate the promotion of ESG sustainable development related businesses.

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

System	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: 2023-04-23

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	2.93	9,536,828	3.98	-	-	-	-	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 ZIG SHENG INDUSTRIAL Co., Ltd Independent Director University of Southern California	The same as information on the left	Director	CHEN, MING-SHENG	Mother and Son
							3,611,158	1.74	1,679,895	0.70	0	0	0	0.00			Director Representative	SUNG, WEN-YEH	Brother
Vice Chairman	ROC	Chao-Bin Zheng	Male 71~80	June 23, 2010	3 years	June 19, 2008	376,974	0.18	452,942	0.19	6,558	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	1.79	4,288,895	1.79	-	-	-	-	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	619,410	0.26	344	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 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	154,187	0.06	142	0.00	0	0.00	ALLIS ELECTRIC(S) PTE.LTD. Chairman 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	5,348,308	2.23	0	0.00	4,410,000	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 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	2.96	7,103,593	2.96	-	-	-	-	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

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
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	2,472,700	1.03	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	1,933,233	0.81	519,865	0.22	0	0.00	PAI POLE ENTERPRISE Co., Ltd. Yinning Senior High School	The same as the information on the left	No	No	No
Independent Director	ROC	Yin-Tai Wu	Male 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 Feida Business Consulting Co., Ltd. President IBF Securities Independent Director Tze Shin International Co., Ltd. Independent Director IWES 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	No	No	No	
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	IKKA HOLDING(CAYMAN) LIMITED Chairman IABON 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: 2023-04-23

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.**

## Directors' Data 2

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

Name \ Condition	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 academican 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	—

Name / Condition	Profession and Experience	Independent Situation	Number of independent directors of other public companies concurrently
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	—
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	—

Name \ Condition	Profession and Experience	Independent Situation	Number of independent directors of other public companies concurrently
WU, YING-CHIN	<p>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 Chungghwa 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.</p>	<p>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".</p> <ul style="list-style-type: none"> <li>• I, my spouse and relatives within the second degree have not served as directors, supervisors or employees of the Company or its relationship;</li> <li>• I, my spouse, relatives within the second degree (or in the name of others) do not hold shares of the company;</li> </ul>	—
HUANG, JUI-HSIANG	<p>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 &amp; 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.</p>	<ul style="list-style-type: none"> <li>• Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company;</li> <li>• 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.</li> </ul>	2

Name \ Condition	Profession and Experience	Independent Situation	Number of independent directors of other public companies concurrently
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, independent directors account for 25%. The term of office of 3 independent directors is 5-6 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. 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: 2023-04-23

Title	Nationality / Country of Origin	Name	Sex	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	The current 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	452,942	0.19	6,558	0.00	0	0.00	Please refer to information on directors.	The same as the information on the left	No	No
Senior Vice General Manager	ROC	CHEN, WEN-CHIN	Male	July 1, 2020	154,187	0.06	142	0.00	0	0.00	Please refer to information on directors.	The same as the information on the left	No	No
Vice General Manager	ROC	TENG, CHUN-SHENG	Male	July 1, 2020	80,526	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
Vice General Manager	ROC	LIU, CHI-JEN	Male	July 1, 2020	35,356	0.01	4,384	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
Senior Manager	ROC	FANG, CHIH-HANG	Male	July 1, 2017	27,422	0.01	0	0.00	0	0.00	National Chiao Tung University, EECS	No	No	No
Senior Manager	ROC	HSU, CHUN-HUANG	Male	January 01, 2021	0	0.00	0	0.00	0	0.00	National Cheng Kung University, Department of Electrical Engineering	No	No	No
Senior Manager	ROC	WU, JEN-LUNG	Male	January 01, 2021	1,458	0.00	0	0.00	0	0.00	National Chin-Yi University of Technology-Department of Mechanical Engineering	No	No	No
Accounting Supervisor	ROC	CHAN, YI-YUAN	Male	July 1, 2020	2,474	0.00	265	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

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)	Profit Sharing- Employee Bonus (G)				
								Cash	Stock			
Chairman	Huede Industrial Co., Ltd. Representative He-Ye Song	0	0	2,406,282	180,000 and rent for automobile, which was 485,712	3,071,994 0.60%	7,679,150	3,728	716,021	0	11,470,893 2.25%	No
Vice Chairman	Chao-Bin Zheng	0	0	1,203,139	180,000 and rent for automobile, which was 402,856	1,785,995 0.35%	7,174,750	114,070	686,186	0	9,761,001 1.92%	No
Director	Chengrui Investment Co., Ltd. Representative Cheng-tung Yang	0	0	1,203,139	180,000 and rent for automobile, which was 853,240	2,236,379 0.44%	0	0	0	0	2,236,379 0.44%	No
Director	Wen Li	0	0	1,203,139	180,000 and rent for automobile, which was 386,666	1,769,805 0.35%	2,334,290	108,000	119,837	0	4,331,932 0.85%	No
Director	Wen-Jing Chen	0	0	1,203,139	180,000	1,383,139 0.27%	4,803,863	112,682	374,419	0	6,674,103 1.31%	No
Director	Min-Shen Chen	0	0	1,203,139	180,000	1,383,139 0.27%	420,000	0	0	0	1,803,139 0.35%	No
Director	Dudu Investments Co., Ltd. Representative Wen-Ye Song	0	0	1,203,139	180,000	1,383,139 0.27%	0	0	0	0	1,383,139 0.27%	No
Director	CHO, SHU-CHI	0	0	1,203,139	180,000	1,383,139 0.27%	0	0	0	0	1,383,139 0.27%	No
Director	LO, SHUI-LUNG	0	0	1,203,139	180,000	1,383,139 0.27%	0	0	0	0	1,383,139 0.27%	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.

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

(Unit: NT\$ thousands)

Title	Name	Remuneration of Directors				Relevant Remuneration Received by Directors Who are Also Employees			Ratio of Total Compensation (A+B+C+D) to Net Income (%)	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
Chairman	Huede Industrial Co., Ltd. Representative He-Ye Song	0	0	2,441,386	300,000 and rent for automobile, which was 485,712	3,227,098 0.63%	8,099,150	3,728	716,021	0	12,045,997 2.37%	No
Vice Chairman	Chao-Bin Zheng	0	0	1,203,139	180,000 and rent for automobile, which was 402,856	1,785,995 0.35%	7,654,750	114,070	686,186	0	10,241,001 2.01%	No
Director	Chengrui Investment Co., Ltd. Representative Cheng-tung Yang	0	0	1,648,163	360,000 and rent for automobile, which was 853,240	2,861,403 0.56%	2,148,644	0	218,800	0	5,228,847 1.03%	No
Director	Wen Li	0	0	1,648,163	420,000 and rent for automobile, which was 386,666	2,454,829 0.48%	2,334,290	108,000	119,837	0	5,016,956 0.99%	No
Director	Wen-Jing Chen	0	0	1,203,139	180,000	1,383,139 0.27%	4,803,863	112,682	374,419	0	6,674,103 1.31%	No
Director	Min-Shen Chen	0	0	1,613,059	240,000	1,853,059 0.36%	960,000	0	0	0	2,813,059 0.55%	No
Director	Dudu Investments Co., Ltd. Representative Wen-Ye Song	0	0	1,238,243	300,000	1,538,243 0.30%	1,563,000	0	35,608	0	3,136,851 0.62%	No
Director	CHO, SHU-CHI	0	0	1,203,139	180,000	1,383,139 0.27%	0	0	0	0	1,383,139 0.27%	No
Director	LO, SHUI-LUNG	0	0	1,203,139	180,000	1,383,139 0.27%	0	0	0	0	1,383,139 0.27%	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.

## 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	2,546,750	114,070	4,628,000	686,186	0	7,975,006 1.57%	No
Senior Vice General Manager	CHEN, WEN-CHIN	1,932,263	112,682	2,871,600	374,419	0	5,290,964 1.04%	No
Vice General Manager	TENG, CHUN-SHENG	1,522,713	102,823	1,756,200	205,855	0	3,587,591 0.71%	No
Vice General Manager	LIU, CHI-JEN	1,461,268	95,650	1,710,000	253,591	0	3,520,509 0.69%	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	2,906,750	114,070	4,748,000	686,186	0	8,455,006 1.66%	No
Senior Vice General Manager	CHEN, WEN-CHIN	1,932,263	112,682	2,871,600	374,419	0	5,290,964 1.04%	No
Vice General Manager	TENG, CHUN-SHENG	1,921,533	102,823	2,591,200	388,188	0	5,003,744 0.98%	No
Vice General Manager	LIU, CHI-JEN	1,461,268	95,650	1,710,000	253,591	0	3,520,509 0.69%	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 Remunerati on (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	2,546,750	114,070	4,628,000	686,186	0	7,975,006 1.57%	No
Senior Vice General Manager	CHEN, WEN-CHIN	1,932,263	112,682	2,871,600	374,419	0	5,290,964 1.04%	No
Senior Manager	HSU, CHUN-HUANG	1,706,355	103,896	1,825,000	191,163	0	3,826,414 0.75%	No
Vice General Manager	TENG, CHUN-SHENG	1,522,713	102,823	1,756,200	205,855	0	3,587,591 0.71%	No
Vice General Manager	LIU, CHI-JEN	1,461,268	95,650	1,710,000	253,591	0	3,520,509 0.69%	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 Remunerati on (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	2,906,750	114,070	4,748,000	686,186	0	8,455,006 1.66%	No
Senior Vice General Manager	CHEN, WEN-CHIN	1,932,263	112,682	2,871,600	374,419	0	5,290,964 1.04%	No
Senior Manager	HSU, CHUN-HUANG	1,706,355	103,896	1,825,000	191,163	0	3,826,414 0.75%	No
Vice General Manager	TENG, CHUN-SHENG	1,921,533	102,823	2,591,200	388,188	0	5,003,744 0.98%	No
Vice General Manager	LIU, CHI-JEN	1,461,268	95,650	1,710,000	253,591	0	3,520,509 0.69%	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 14, 2023

	Title	Name	Stock amount	Cash amount	Total	Ratio of Total Amount to Net Income (%)
Manager	General Manager	CHENG, CHAO-PIN	0	2,209,148	2,209,148	0.43%
	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:

	2021		Consolidated, 2021		2022		Consolidated, 2022	
	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	34,830	9.63	40,516	11.20	41,686	8.19	49,183	9.67
General Manager and Vice General Manager	16,798	4.65	17,860	4.94	20,374	4.00	22,270	4.38

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 2022. 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	5	0	100 %	-
Vice Chairman	CHENG, CHAO-PIN	5	0	100 %	-
Director	Chengrui Investment Co., Ltd. Representative Cheng-tung Yang	5	0	100 %	-
Director	LI, WEN	5	0	100 %	-
Director	CHEN, WEN-CHIN	5	0	100 %	-
Director	CHEN, MING-SHENG	5	0	100 %	-
Director	Dudu Investments Co., Ltd. Representative Wen-Ye Song	4	0	80 %	-
Director	CHO, SHU-CHI	5	0	100 %	-
Director	CHEN, TZU-KUNG	—	—	—	Ceded March, 2021
Director	LO, SHUI-LUNG	3	0	60 %	-
Independent Director	WU, YING-CHIN	5	0	100 %	-
Independent Director	HUANG, JUI-HSIANG	5	0	100 %	-
Independent Director	HU, HSIANG-CHI	5	0	100 %	-

Other mentionable items:

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

### Information on the operation of the audit committee

1. The Audit Committee held 5 meetings in 2022 (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	5	0	100 %	-
Committee Member	HUANG, JUI-HSIANG	5	0	100 %	-
Committee Member	HU, HSIANG-CHI	5	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 Exchange Act	Resolutions not approved by the Audit Committee but approved by more than 2/3 of all directors.
2022.1.13 The 2nd Session The 10th Time	1. The internal audit plan.	V	—
	2. Engage in derivative commodity trading cases.	V	—
	3. 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.		
2022.3.29 The 2nd Session The 11th Time	1. Report the 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	—
	6. Business report and financial statements.	V	—



Meeting Date Session	Motion contents and resolutions	Matters listed in Article 14-5 of the Security and Exchange Act	Resolutions not approved by the Audit Committee but approved by more than 2/3 of all directors.
2022.3.29 The 2nd Session The 11th Time	7. Surplus distribution case.		—
	8. 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.		
2022.5.12 The 2nd Session The 12th Time	1. Report the financial statements.	V	—
	2. The internal audit plan.	V	—
	3. 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.			
2022.8.11 The 2nd Session The 13th Time	1. Report the financial statements.	V	—
	2. The internal audit plan.	V	—
	3. The case of external endorsement guarantee and Case of lending funds to others.	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.		
2022.11.10 The 2nd Session The 14th 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	
1. Does the Company develop and disclose Corporate Governance Best Practice Principles pursuant to Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		◆ The Company has developed the Corporate Governance Best Practice Principles with the approval by the Board of Directors.
2. Shareholding structure & shareholders' rights			
(1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		◆ Shareholders are advised to reach consensus at shareholders meeting and have spokesperson handling all suggestions or doubts from shareholders. The Company website shall set up a Shareholder/Investor section to fully and instantly disclose the information needed for investors.
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		◆ The Company shall assign a stock affairs specialist in charge of the actual control of corporate major shareholders and the ultimate control list of major shareholders.
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		◆ The Company shall clearly divide the managerial responsibilities of the personnel, assets, and finance between the Company and the associates through independent operation. The Company shall also setup a planning and management department in charge of control while the audit office shall routinely conduct audit according to internal control procedures.
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		◆ The Company shall advocate the laws and regulation promulgated by the competent authorities to the directors and managerial officers during the Board meeting for uniform compliance.
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.
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		◆ The Company officially established a Sustainable Development Committee in November 2022 to coordinate ESG sustainable development related business.
(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 2022 at Q1 2023.
(4) Does the company regularly evaluate the independence of CPAs?	✓		◆ In March 2023, the Board of Directors approved the evaluation of the independence and suitability of CPAs.
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 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. 2022 Corporate Governance Executive Training (Note 1).
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 (MOFS). The Company website features a section dedicated to investor services and section of stakeholders.
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		◆ The Company entrusts Yuanata Securities Co., Ltd to assist with holding share holders meeting and related matters.

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies", and Reasons
	Yes	No	
7. Information Disclosure			
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		None
(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)?	✓		None
(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?	✓		None
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)?	✓		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 2022.			None

Note 1. 2022 Corporate Governance Executive Training.

S/N	Training Institute	Course Name	Training Period		Training Hour
			Start	End	
1	Taiwan Institute for Sustainable Energy	Taishin International Bank Forum	2022/04/22	2022/04/22	3.0
2	Center for Corporate Sustainability	2030 Transform to Net Zero	2022/07/27	2022/07/27	2.0
3	Taiwan Stock Exchange Taipei Exchange	Sustainable Development Roadmap Introduction Meeting	2022/08/30	2022/08/30	12.0

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 16.	<p>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”.</p> <ul style="list-style-type: none"> <li>• I, my spouse and relatives within the second degree have not served as directors, supervisors or employees of the Company or its relationship;</li> <li>• I, my spouse, relatives within the second degree (or in the name of others) do not hold shares of the company;</li> <li>• Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company;</li> <li>• 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.</li> </ul>	0	-
Independent Director	HUANG, JUI-HSIANG			0	-
Independent Director	HU, HSIANG-CHI			1	-

## Operation of the Remuneration Committee

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

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	WU, YING-CHIN	3	0	100 %	-
Member	HUANG, JUI-HSIANG	3	0	100 %	-
Member	HU, HSIANG-CHI	3	0	100 %	-

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
2022.1.13 The 5nd Time of The 4th Session	Deliberating the 2021 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.
2022.3.29 The 6rd Time of The 4th Session	Discuss the Company's 2021 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.
2022.8.11 The 7th Time of The 4th Session	Discuss the Company's 2021 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	
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 RBA Committee on Responsible Business Alliance Code of Conduct, and formally established the Sustainable Development Committee in 2022. The Board of Directors authorizes the Chairman and the General Manager to act as the chairman and deputy chairman of the committee to comprehensively deal with matters related to ESG sustainable development and corporate social responsibility. The chairman may appoint important officials as officials of the office or appoint personnel from relevant departments as committee members, and the corporate governance supervisor shall report to the Board of Directors on the progress of the corporate's sustainable development
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, responsibility, and is implemented in the management culture. In addition, the "Management Measures for Risks and Opportunities of Systematically Focused Issues" was formulated in Responsible Business Alliance Code of Conduct, and the relevant management regulations were complete. Regular business meetings are held to formulate response strategies for various business risks in a timely manner.
3. Environmental issues			◆ None
(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.
(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 regularly holds business meetings and proposes discussions on climate change issues, timely making contingency decisions regarding potential operational risks and development opportunities.
(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?	✓		◆ The Company is actively receiving professional guidance and formulating policies this year, and the inventory operation for organizing greenhouse gases, water, and waste is already underway. Every year, funding is also established to gradually improve power conservation and carbon reduction, and waste disposal complies with environmental regulations.
4. Social issues			◆ None
(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.
(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.

Assessment item	Operatoin situation		Differences and reasons of Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	
(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, Xinzhuan 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.
(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 established quality assurance departments in each factory to maintain product quality, health and safety, and continuously improve customer satisfaction; Strictly abide by domestic and foreign laws, regulations and codes, adopt Responsible Business Alliance Code of Conduct (RBA), have strict norms for protecting customers' rights and privacy, and set up a "Stakeholders and Appeals Area" on the Company's website to provide channels for opinions, responses and appeals.
(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?		✓	◆ The Company will issue the 2022 sustainable report in 2023, and the third-party verification unit will provide assurance opinions.
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. In addition, the Company continued to promote ESG sustainable development business in 2022, and established the Sustainable Development Committee in November of the same year to expand its influence, align with national development, and respond to international trends.			◆ None
7. Other important information that is helpful to understand the operation of sustainable development: <ul style="list-style-type: none"> <li>• 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.</li> <li>• In response to the government's plan to build one million solar rooftops, solar photovoltaic power generation systems have been installed on the roofs of Xinzhuan and Yangmei production plants, with a total capacity of approximately 800kWh.</li> <li>• For the sustainable development of corporate business, the Company sent personnel to participate in the training course for "ESG Engagement Specialist" certification organized by Taiwan Institute for Sustainable Energy. In November 2022, the Company obtained the professional certification qualification of "ESG Engagement Specialist" and officially appointed a sustainable manager to serve in the Secretariat of the Sustainable Development Committee, assisting in the promotion of conference affairs and providing a window for internal and external communication.</li> <li>• Entrust professional tutoring manufacturers to prepare sustainability reports and ISO14064-1, organize greenhouse gas inventory coaching training, and plan to continue promoting the ISO50001 Energy Management System in the future.</li> </ul>			

Assessment item	Operatoin situation		Differences and reasons of Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	
<ul style="list-style-type: none"> <li>The Company, in order to demonstrate its importance to global warming, climate change, and net zero emissions, has signed a "Response to ChungHwa Telecom's 2050 Net Zero Emissions Commitment Signing Letter" with ChungHwa Telecom, a major telecommunications company. The Company has also signed a "Supplier Net Zero Alliance Declaration" with CTCL Corporation, and participated in the United Microelectronics Corporation's "Low Carbon Supply Chain Project" and imported the organization's greenhouse gas inventory cloud management system, to strengthen cooperation and information exchange with key customers, and using data to drive the decision-making, jointly contributed to the Earth and the international community.</li> <li>The Company assisted the Purple Lotus Charity Foundation in establishing the Purple Lotus Children's Care Home to purchase land related funds; participated in the charity event of "Virtuoso vs. Scheherazade Symphony Concert" organized by the National Taiwan University of Arts Music Orchestra, and became the exclusive sponsor of the foundation; In the future, the Company will continue to promote social care activities and fulfill corporate social responsibility.</li> <li>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.</li> </ul>		Abstract Description	

**E. Implementation of 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 Companies" and Reasons
	Yes	No	
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?	✓		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.



Evaluation Item	Implementation Status		Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
(2) Does the Company establish a designated section in charge of promoting corporate ethics management under the Board of Directors and routinely (at least once a year) report to the Board for the solutions and supervisions on ethics management policy and prevention of unethical conducts?	✓		◆ 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, and in August and November 2022, January and March 2023, reports to the Board of Directors on the execution status.
(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.
(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.
(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.
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](http://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. In November 2022, the Sustainable Development Committee was officially established to promote sustainable development business and strengthen corporate governance related matters.

# I. Implementation of Internal Control Systems

## 1. Statement on Internal Control

### ALLIS ELECTRIC Co., Ltd. Statement of Internal Control

Date: March 14, 2023

The Company hereby states the following with regards to its internal control 2022 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, 2022 (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 14, 2023, where none of the 12 attending directors voiced any dissenting view to the content of this statement.

ALLIS ELECTRIC Co., Ltd.

Chairman: He-Ye Song    Signature (Seal)

General Manager: 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 (2022) 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
2022.6.21	<ul style="list-style-type: none"> <li>◎ Pass 2021. Business report and financial statements.</li> <li>◎ Pass 2021. Surplus distribution case.</li> <li>◎ Pass the case of transferring surplus to capital increase and issuing new shares.</li> <li>◎ Pass the revision for some articles of the Articles of Association of the Company.</li> </ul>	In September 2022, a cash dividend of NT\$ 0.75 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
2022.1.13	<ul style="list-style-type: none"> <li>◎ Pass the recommendation of the company's salary compensation committee.</li> <li>◎ Pass the case of remuneration for the appointment of certified accountants.</li> </ul>
2022.3.29	<ul style="list-style-type: none"> <li>◎ Pass 2021 distribution of directors' and employees' remuneration</li> <li>◎ Pass 2021. Business report and financial statements.</li> <li>◎ Pass 2021. Surplus distribution case.</li> <li>◎ Pass the case of the Company handling to transfer surplus to capital increase and issue new shares.</li> <li>◎ Pass "2021 Internal Control Declaration" case of the Company</li> <li>◎ Pass the revision for some articles of the Articles of Association of the Company.</li> <li>◎ Pass foreign investment case of the Company.</li> <li>◎ Pass 2022 case of reasons for convening shareholders' general meeting and relevant time and place.</li> </ul>
2022.5.12	<ul style="list-style-type: none"> <li>◎ Report the consolidated financial statements for the first quarter of 2022.</li> <li>◎ Pass the Company's external endorsement guarantee case.</li> <li>◎ Pass the revision for some articles of the Articles of Association of the Company.</li> <li>◎ Pass modification 2022 case of reasons for convening shareholders' general meeting.</li> </ul>
2022.8.11	<ul style="list-style-type: none"> <li>◎ Report the consolidated financial statements for the second quarter of 2022.</li> <li>◎ Pass 2021 distribution of directors' and employees' remuneration of the Company</li> <li>◎ Pass The 2022 case of cash dividend distribution and surplus transfer to capital increase to issue new shares of the Company</li> <li>◎ Pass the Company's external endorsement guarantee and fund loan case.</li> </ul>
2022.11.10	<ul style="list-style-type: none"> <li>◎ Report the consolidated financial statements for the third quarter of 2022.</li> <li>◎ Pass the "2023 Audit Plan" case.</li> <li>◎ Pass the "2023 Operation Plan" case.</li> <li>◎ Pass the external endorsement guarantee case of the Company.</li> </ul>

Meeting Date	Important Resolution
	<ul style="list-style-type: none"> <li>◎ Pass the proposal for formulating the Company's "Organizational Regulations for the Sustainable Development Committee"</li> <li>◎ Pass the proposal for appointing members of the Sustainable Development Committee</li> </ul>
2023.1.12	<ul style="list-style-type: none"> <li>◎ Pass the recommendation of the company's salary compensation committee.</li> <li>◎ Pass the external endorsement guarantee case of the Company.</li> <li>◎ Pass the 2023 case of remuneration for the appointment of certified accountants.</li> <li>◎ Pass the proposal for revising the Company's "Rules of Procedure for Board Meetings" and "Standard Operating Procedures for Handling Director Requirements"</li> </ul>
2023.3.14	<ul style="list-style-type: none"> <li>◎ Pass "2022 Internal Control Declaration" case of the Company</li> <li>◎ Pass the proposal for evaluating independence and suitability of CPAs and replacement of CPAs</li> <li>◎ Pass 2022 distribution of directors' and employees' remuneration</li> <li>◎ Pass 2022. Business report and financial statements.</li> <li>◎ Pass 2022. Surplus distribution case.</li> <li>◎ Pass the case of the Company handling to transfer surplus to capital increase and issue new shares.</li> <li>◎ Pass foreign investment and endorsement guarantee case of the Company.</li> <li>◎ Pass the proposal for the re-election of directors by the Company.</li> <li>◎ Pass the proposal for a list of director candidates and qualification review proposal through the Board of Directors of the Company</li> <li>◎ Pass the proposal for lifting the restriction on non competition for new directors and their representatives of the Company</li> <li>◎ Pass the 2023 case of reasons for convening shareholders' general meeting and relevant time and place.</li> </ul>

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	Yu-Ling Hung	2022.1.1~ 2022.12.31	3,510,000	781,000	4,291,000	Non-audit fee content: transfer pricing report, business registration and financial report translation, etc.
	Min-Chih Chuo	2022.1.1~ 2022.12.31				

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

(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 2022 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	2022		End on 2023-03-31	
		Increasing (Decreasing) number of shareholdings	Increasing (Decreasing) number of pledged shares	Increasing (Decreasing) number of shareholdings	Increasing (Decreasing) number of pledged shares
Chairman	Hui De Co., Ltd	454,134	0	0	0
	Representative Song Heye	79,995	0	0	0
Deputy Chairman General Manager	Zheng Chaobin	28,175	0	0	0
Director	Zhenrui Investment Co., Ltd	204,233	0	0	0
	Representative Yang Zhentong	295,636	0	0	0
Director	Li Wen	(27,314)	0	(14,000)	0
Director Senior Deputy Manager	Chen Wenjin	13,342	0	0	0
Director	Chen Mingsheng	390,134	0	0	0
Director	Dudu Investment Co., Ltd	338,266	0	0	0
	Representative Song Wenye	0	0	0	0
Director	Zhuo Shuji	119,033	0	(9,000)	0
Director	Luo Shuilong	92,058	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	3,834	0	0	0
Deputy Manager	Liu Qiren	6,445	0	0	0
Assistant Manager	FANG, CHIH-HANG	1,305	0	0	0
Assistant Manager	HSU, CHUN-HUANG	0	0	0	0
Assistant Manager	Wu Renlong	69	0	0	0
Accountant Director	Zhan Yiyuan	117	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 : No.

(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 the 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	9,536,828 92	3.98 0.00	- -	- -	- -	- -	-	-	-
CTBC Bank is entrusted to keep the investment account of The Nippon Signal Co., Ltd..	7,154,122	2.98	-	-	-	-	-	-	-
Dudu Investment Co., Ltd Responsible Person Zhang Zhengyi	7,103,593 -	2.96 -	- 1,069	- 0.00	- -	- -	-	-	-
Nissin Electric Co, Ltd Responsible Person Saito Shigeo	6,793,716 -	2.83 -	- -	- -	- -	- -	-	-	-
DESIGNED SPORTS IMAGE CORP. Responsible Person Zhang Zhengyi	6,280,251 -	2.62 -	- 1,069	- 0.00	- -	- -	-	-	-
Yang Zhentong	6,208,357	2.59	2,284,310	0.95	-	-	-	-	-
American JP Morgan Chase Bank Custody JP Morgan Securities Co., Ltd. investment account	5,735,979	2.39	-	-	-	-	-	-	-



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 the second degree or spouse. (Note 3)		Remark
	Stock Amount	Share holding ratio %	Stock Amount	Share holding ratio %	Stock Amount	Share holding ratio %	Name	Relationship	
Chen Mingsheng	5,348,308	2.23	-	-	4,410,000	1.84	EVERBRIGHT INVESTMENT CONSULTANT CO., LIMITED	related person	-
EVERBRIGHT INVESTMENT CONSULTANT CO., LIMITED Responsible Person Chen Mingsheng	4,410,000 5,348,308	1.84 2.23	- -	- -	- -	- -	Chen Mingsheng	related person	-
Zhenrui Investment Co., Ltd Responsible Person Chen Weiping	4,288,895 1,528,597	1.79 0.64	- -	- -	- -	- -	-	-	-

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.	5,101,701	83.12%	410,253	6.68%	5,511,954	89.80%
NISSIN-ALLIS ELECTRIC Co., Ltd.	9,000,000	30.00%	0	0.00%	9,000,000	30.00%
ARES TECHNOLOGY Co., Ltd.	6,800,000	100.00%	0	0	6,800,000	100.00%
ALLIS COMMUNICATIONS COMPANY, LTD.	4,958,380	82.64%	318,923	5.32%	5,277,303	87.96%
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	420,000	70.00%	0	0.00%	420,000	70.00%
ALLIS ELECTRIC (S) PTE.LTD.	3,000,000	100.00%	0	0.00%	3,000,000	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

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
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
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

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
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
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
December 21nd, 2022 Economy Business No.11101176250	10	350,000,000	3,500,000,000	239,743,005	2,397,430,050	Transfer surplus to capital increase of NT\$ 114,163,330	No	No

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

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

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

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

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

Share Type	Authorized Capital			Remarks
	Issued Shares (Note)	Un-issued Shares	Total Shares	
Ordinary shares	Outstanding shares 239,743,005	110,256,995	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 22, 2023

Shareholder Structure Quantity	Government Agency	Finance Agency	Other Legal Persons	Individual	Foreign Agency and Foreigner	Total
Personal Number	0	1	198	47,107	78	47,384
Shareholding Amount	0	67,000	40,880,159	161,140,580	37,655,266	239,743,005
Shareholding Ratio (%)	0.0000	0.0279	17.0517	67.2139	15.7065	100

## C.Shareholding Distribution Status

The book value of each share was NT\$10.

April 22, 2023

Class of Shareholding	Number of Shareholders	Shareholding (Share)	Percentage (%)
1 ~ 999	27,738	1,914,306	0.80
1,000 ~ 5,000	15,769	29,985,298	12.51
5,001 ~ 10,000	1,948	14,699,478	6.13
10,001 ~ 15,000	710	8,663,309	3.61
15,001 ~ 20,000	374	6,911,552	2.88
20,001 ~ 30,000	292	7,241,904	3.02
30,001 ~ 40,000	131	4,661,067	1.94
40,001 ~ 50,000	78	3,649,750	1.52
50,001 ~ 100,000	155	10,577,251	4.41
100,001 ~ 200,000	84	11,747,592	4.90
200,001 ~ 400,000	34	9,617,290	4.01
400,001 ~ 600,000	21	10,402,896	4.34
600,001 ~ 800,000	16	11,303,408	4.71
800,001 ~ 1,000,000	5	4,571,018	1.91
No less than 1,000,001	26	103,796,886	43.31
Total	47,384	239,743,005	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	9,536,828	3.98
CTBC Bank is entrusted to keep the investment account of The Nippon Signal Co., Ltd..	7,154,122	2.98
Dudu Investment Co., Ltd Responsible Person Zhang Zhengyi	7,103,593	2.96
Nissin Electric Co, Ltd Responsible Person Saito Shigeo	6,793,716	2.83
DESIGNED SPORTS IMAGE Co., Ltd Responsible Person Zhang Zhengyi	6,280,251	2.62
Yang Zhentong	6,208,357	2.59
American JP Morgan Chase Bank Custody JP Morgan Securities Co., Ltd. investment account	5,735,979	2.39
Chen Mingsheng	5,348,308	2.23
EVERBRIGHT INVESTMENT CONSULTANT Co., Ltd Responsible Person Chen Mingsheng	4,410,000	1.84
Zhenrui Investment Co., Ltd Responsible Person Chen Weiping	4,288,895	1.79

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

Item	Year	2021	2022	End on 2023-03-31 (Note 5)	
Market Price per Share	Highest	28.55	38.20	44.00	
	Lowest	20.50	23.20	29.35	
	Average	24.79	28.42	36.49	
Net Value per Share	Before Distribution	15.67	16.17	16.70	
	After Distribution	14.20	14.72	15.23	
Surplus per Share	Weighted average number of shares (thousand shares)		225,644	236,926	236,926
	Surplus Per Share	Before Tracing Adjustment	1.60	2.15	0.60
		After Tracing Adjustment	1.53	2.09	—
Dividend per Share	Cash Divident		0.75	1.00	—
	Stock Grant	Stock Dividend from Retained Earnings	0.50	0.30	—
		Capital Surplus Dividend	—	—	—
	Accumulated Unpaid Dividend		—	—	—
Analysis of Return on Investment	Price Earnings Ratio (Note 2)		15.49	13.22	—
	Price to Dividend Ratio (Note 3)		33.05	28.42	—
	Cash Dividend Yield Ratio (Note 4)		3.03%	3.52%	—

Note 1 The appropriation of earnings for 2022 has not yet been approved by the 2023 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. 2021 dividend policy implementation status

On March 29, 2022, the board of directors approved the proposed distribution of 2021 cash dividend (NT\$ 171,245,004) and allocated NT\$ 114,163,330 from the distributable surplus of 2021 to issue 11,416,333 ordinary shares, with a share of NT\$ 0.50, 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 3% 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 2022, 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 2022. The Company estimates that the proportion of employee's remuneration and director's remuneration in 2022 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 2023.

4. Distribution of remuneration by the Board of Directors:

(1) Amount of employee's remuneration and director's remuneration:

On March 14th, 2023, the board of directors approved the distribution of employee's remuneration (4% of the current year's profit) of NT\$ 24,062,788 and director's remuneration (2% of the current year's profit) of NT\$ 12,031,394. 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 2021, the Company actually distributed employee bonus (4%) of NT\$ 17,324,175 and director's remuneration (2%) of NT\$ 8,662,357, 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)	1 <sup>st</sup> Time	2 <sup>nd</sup> Time	3 <sup>rd</sup> Time	4 <sup>th</sup> Time
Goal of Repurchase	Transfer of shares to employees	Protecting the Company's Credit and shareholders' rights	Protecting the Company's Credit and shareholders' rights	Protecting the Company's Credit and shareholders' rights
Time of Repurchase	November 6, 2000~ November 25, 2000	November 27, 2000~ January 2, 2001	January 29, 2001~ March 28, 2001	September 12, 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) CC01090 Batteries Manufacturing
- (12) CC01100 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
- (13) CC01110 Computer and Peripheral Equipment Manufacturing
- (14) E501011 Tap Water Pipelines Contractors
- (15) E601010 Electric Appliance Construction
- (16) E601020 Electric Appliance Installation
- (17) E602011 Refrigeration and Air Conditioning Engineering
- (18) E603040 Fire Safety Equipment Installation Engineering
- (19) E603050 Automatic Control Equipment Engineering
- (20) E603080 Traffic Signs Installation Engineering
- (21) E605010 Computer Equipment Installation
- (22) E701040 Simple Telecommunications Equipment Installation
- (23) E701040 Simple Telecommunications Equipment Installation
- (24) E903010 Anti-Corrosion and Anti-Rust Engineering
- (25) F113010 Wholesale of Machinery
- (26) F113020 Wholesale of Electrical Appliances
- (27) F113030 Wholesale of Precision Instruments
- (28) F113070 Wholesale of Telecommunication Apparatus
- (29) F119010 Wholesale of Electronic Materials
- (30) F213010 Retail Sale of Electrical Appliances
- (31) F213040 Retail Sale of Precision Instruments
- (32) F213060 Retail Sale of Telecommunication Apparatus
- (33) F213080 Retail Sale of Machinery and Tools
- (34) F219010 Retail Sale of Electronic Materials
- (35) F401010 International Trade
- (36) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
- (37) I301010 Information Software Services
- (38) I301020 Data Processing Services

- (39) I301030 Electronic Information Supply Services  
 (40) IG03010 Energy Technical Services  
 (41) JA02990 Other Repair  
 (42) 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	2022	2021
Electrical Products	25.21	27.04
Transformers	13.16	11.50
Electrical Equipment	10.56	15.40
Electronic Products	23.39	21.72
Materials	1.98	3.27
Engineering (With Installation)	19.01	20.85
Other	6.69	0.22
Total	100.00	100.00

3. Our current products and services

(1) Products

Switchboards

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

Transformer

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

Industrial and Communication Electronics

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

Transmission and distribution equipment

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

(2) Services

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

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

## 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.



S.P.A. in Italy to develop medium and large high frequency three-phase UPS. Low cost, high efficiency, modularity, intelligence, and energy-saving functions are the key to the success of our products in the future, and customization and differentiation for specific customer needs also provide a considerable niche. In recent years, the use of wireless network technology has been on the rise, and the use of 4G, 5G and cloud technology has become a global trend. The Company is actively developing the use of wireless network products by combining foreign technology and cooperating with its subsidiaries, and actively introducing them into the market. Meanwhile, green energy, intelligent energy saving and carbon reduction, and energy storage equipment have become the trend of the times, and the technology development and application are increasing by leaps and bounds. Our company has many years of experience in the integration of related products and system engineering, which are applied to solar photovoltaic, wind power generation, intelligent power grid, peak and valley reduction energy storage equipment, smart city and cloud technology backup power supply, automatic charging equipment for railroad trams and electric bus chargers. We are also in an excellent position in the rail industry and related services (including railroad, metro, light rail, etc.), which are continuously promoted by the government for public construction.

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

Year	Expenditure Amount	R&D Achievement
2021	NT\$ 89,477,000	<p>R&amp;D Achievement:</p> <ol style="list-style-type: none"> <li>1. SMR 6kW ES6048 communication power supply, etc.</li> <li>2. Taiwan Railways Administration smart eight-way switch control panel.</li> <li>3. Taiwan Railways Administration electrical locomotive charger DC 110V 20kW</li> <li>4. EMU500 charger DC 29V 5kW</li> <li>5. TPRI single-phase 3000kVAx3 short circuit test transformer</li> <li>6. TPRI three-phase 1000kVA grounding transformer (GTR)</li> <li>7. TPC transformer information terminal equipment TTU</li> <li>8. Taipei Metro SIV GTO driver replacement case</li> <li>9. Indonesia PLN RTU (DNP3.0 IEC101/104 full communication protocol is finished)</li> <li>10. GB version electrical bus charging station 120kW</li> <li>11. TOUGH 50KW/60KW three-phase solar energy inverter</li> <li>12. Underground four-way auto line switch (standard type), etc.</li> <li>13. Kiosk switch - Y128(108-10)</li> <li>14. 2000kVA Copper wound molded transformer with primary air channel</li> <li>15. Centrally Installed Switchgear series (VCB: Mitsubishi) 3-phase 24kV 1250A 25kA, etc.</li> <li>16. 450kVA UPS MBP panel, 825kVA UPS MBP panel</li> </ol>
2022	NT\$ 114,317,000	<p>R&amp;D Achievement:</p> <ol style="list-style-type: none"> <li>1. Completion of Distribution transformer monitoring terminal</li> <li>2. Completion of ALLIS Smart DC Box</li> <li>3. Completion of Finalization testing of feeder terminal unit (for PLN in Indonesia)</li> </ol>



Year	Expenditure Amount	R&D Achievement
		4. Completion of SMR 12KW safety regulations 5. Completion of sample testing for overhead simple FI circuit 6. Completion of the test of the switching charger 7. EMU500 charger DC 110V 20kW 8. Three phase solar converter 9. Development of new products for three-phase 480Vac solar converter 10. Pavilion mounted four way switch 11. Standard type of 25.8kV overhead automatic line switch 12. Certification fo Dry type transformer 13. Form of central cabinet series: 3-phase 24kV, 1250A, 25kA, etc

2. 2023 Research plan and estimated R&D expenditure amount

- (1) Feeder terminal unit (for PLN in Indonesia) - PLN type testing, etc
- (2) Development of Underground Simple FI Circuit
- (3) 120kW electric bus charger CCS charging interface, etc
- (4) Electric Bus Monitoring Platform
- (5) Development of second-generation charging piles for high-frequency machines
- (6) Industrial internet of things data gateway
- (7) Measurement of AC PDU and Development of HMI Unit
- (8) Enclosed rack type PDU
- (9) Dedicated PDC distribution board for computer room
- (10) Development of New Products for Solar Converters
- (11) Development of AC/DC PFC Rectifiers
- (12) Polymer polymerization barrier fuse chain switch group
- (13) Four conductor wire spacers
- (14) Indonesia PLN 24kV 630A 16kA LBS
- (15) Underground distribution line fault indicator
- (16) Distribution level aggregated bushing lightning arrester
- (17) Compression type terminal clamp
- (18) Improved Bushing Pole-mounted Transformer by Taiwan Power Company
- (19) Environmental Protection Stamp Certification for Oil Transformer
- (20) Certification of Molded transformer three-phase 1000kVA
- (21) Pavilion mounted transformer
- (22) Middle cabinet series

Estimated R&D expenditure: NT\$ 150,091,000.

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 90.47% of the Company's sales in 2022, while foreign sales accounted for 9.53%, with domestic sales and services still being the main market for our products. The domestic market of heavy electric industry is not easy to grow, and the era of global profitability has come, the market in Taiwan will be more open, tariff reduction, the reduction of nationalization protection, the market competition will become more intense, and the exchange rate fluctuates, and the price of oil and base metals related to the production cost of the industry fluctuates, increasing the risk of control, the operation of the heavy electric industry is bound to be more difficult. Except for some parts that need to be imported, our heavy electric products have already matured in terms of technology and cooperation with our domestic suppliers and third-party factories, and we are well-equipped to accept challenges and competition. At present, we have mastered the core technology of each product and are actively exploring foreign markets, aiming to increase the export sales turnover to more than 20% of the turnover year by year to achieve the purpose of driving the transformation of the company to internationalization as well.

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

Since our company was established, we have been adhering to the quality policy of satisfying customers with all products and services. Therefore, the main products we provide, such as power distribution panels, transformers, transmission and distribution equipment, automatic charging equipment for railroad trolley cars and bus charging machines, photoelectric inverters, uninterruptible power system equipment and switched DC power supply equipment for communication, have all obtained the most stringent ISO 9001 quality management system and We have also completed ISO45001, OHSAS18001, and TOSHMS occupational safety and health management certifications, and have implemented these standards and systems at every level, so our products and services are well received in the market and have a certain share. Both Hsin-Chuang and Yang-Mei plants have been certified by

the TFA (The National Certification Foundation) and the Ministry of Economic Affairs (MOEA) as the original manufacturer of high voltage electrical equipment, which shows that our company is constantly pursuing excellence in the quality of products and services and is trusted and recognized by domestic and foreign users.

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

### (1) Future Market Demand

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

### (2) Future supply of the market

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

(3) Expected sales volume and its basis

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

Based on the Company's business plan, the estimated sales volume for 2023 is as follows:

Items	Quantity	
Electrical Products	17,000	Sets
Transformers	12,000	Units
Electrical Equipment	20,000	Sets
Electronic Products	15,000	Sets
Materials	—	
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.

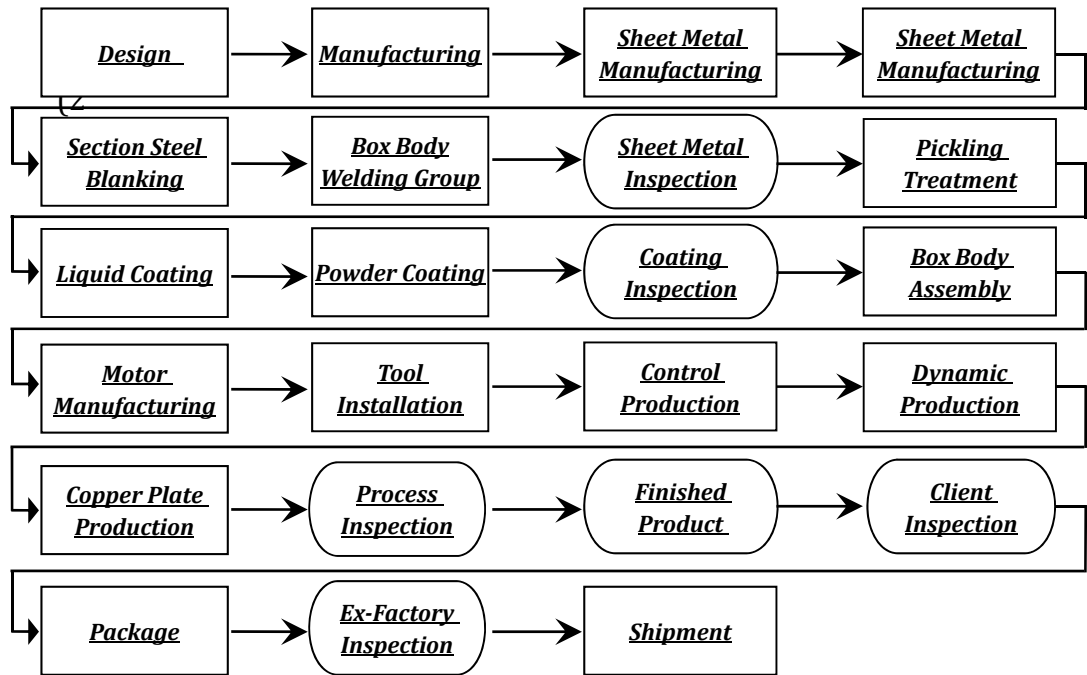
The functional applications of each of our major products are outlined below:

- (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.

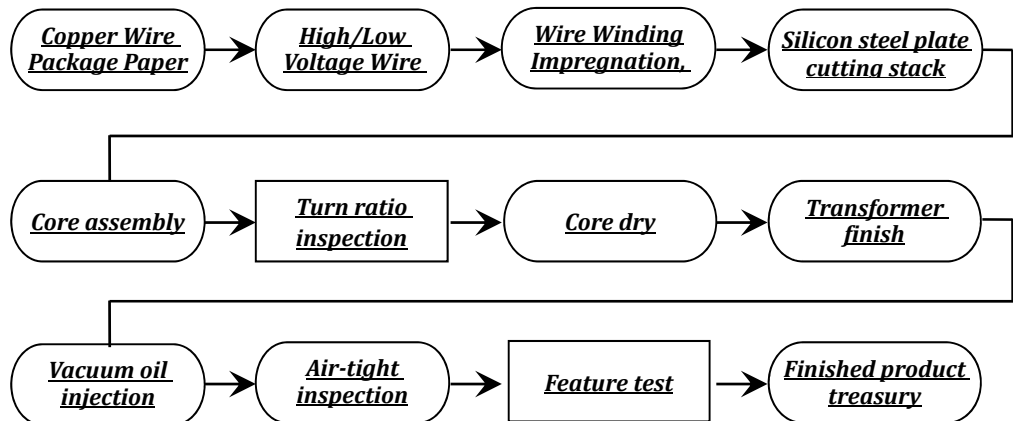
(4) Power Electronics: It is also used as an uninterrupted and stable power source for various instruments and computers, medical facilities, railroad trolley cars, electric vehicle charging, solar energy conversion equipment, etc.

2. Manufacturing Process:

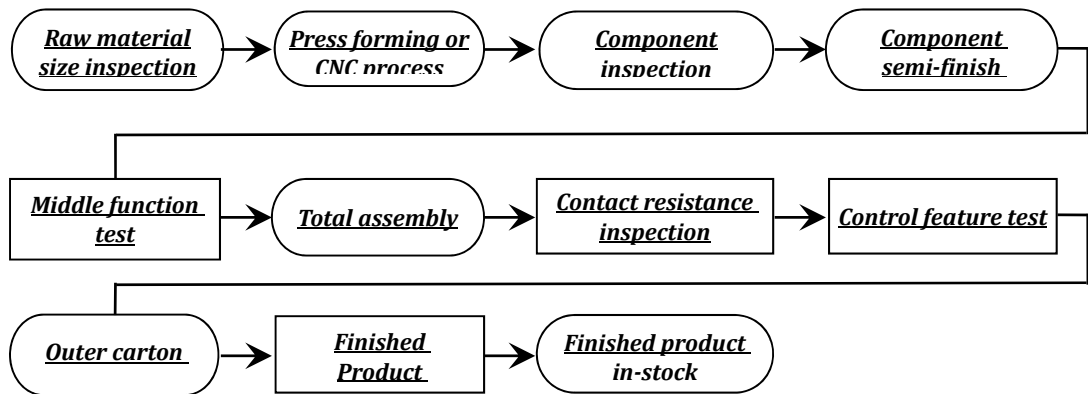
(1) Power distribution board manufacturing process



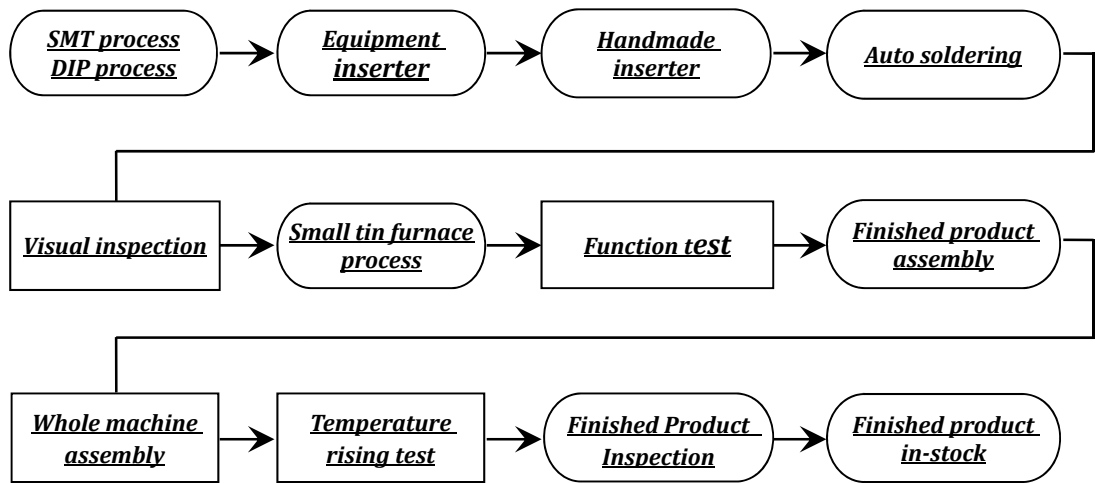
(2) Transformers manufacturing process



(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

2021				2022				2023 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	4,741,944	100	-	Net Import	6,684,298	100	-	Net Import	1,681,728	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

2021				2022				2023 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	1,342,232	23.62	None	Taipower	1,448,267	18.79	None	Taipower	291,139	15.67	None
None	None	-	None	None	None	-	None	TSMC	210,356	11.32	None
Net Sales	5,681,629	100	-	Net Sales	7,709,152	100	-	Net Sales	1,857,584	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

Production Value Main Products (or department)	2021		2022			
	Productivity	Capacity	Product Value	Productivity	Capacity	Product Value
Electrical Products	13,000	10,789	889,282	18,000	16,003	1,425,414
Transformers	110,000	18,832	480,711	110,000	19,480	654,658
Electrical Equipment	13,000	12,903	1,385,436	22,000	17,925	1,881,059
Electronic Products	6,000	5,423	623,940	11,000	9,304	809,311
Materials	-	-	118,819	-	0	95,240
Engineering	-	-	1,029,613	-	0	1,519,138
Other	-	-	50,793	-	0	127,149
Total		47,947	4,578,594		62,712	6,511,969

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

Unit: NT\$1,000

Production value Main Products (or department)	2021				2022			
	Internal Sales		External Sales		Internal Sales		External Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Electrical Products	4,589	833,327	2,459	454,235	9,024	1,005,392	3,022	797,863
Transformers	19,476	830,031	10	383	19,096	800,654	300	13,114
Electrical Equipment	11,625	1,407,151	420	50,503	16,057	1,874,288	573	69,348
Electronic Products	4,602	576,675	340	43,036	8,062	832,942	1,448	181,540
Materials	-	176,210	0	0	-	147,389	0	5,585
Engineering	-	955,725	-	4,057	-	1,445,683	-	19,613
Other	-	208,793	-	141,503	-	306,688	-	209,053
Total	40,292	4,987,912	3,229	693,717	52,239	6,413,036	5,343	1,296,116

### (III) Information of employees in the last two years

Year		2021	2022	2023 until the end of first quarter (Note)
Number of employees	Business Administration	136	143	145
	Indirect Labor and Delivery	295	320	294
	Direct Labor and Delivery	203	184	218
	Total	634	647	657
Average Year		43.36	43.51	43.61
Average Length of Service		14.11	14.19	14.02
Academic History Distribution Ratio Example %	PhD	0.94	0.30	0.60
	Master's Degree	6.15	6.49	6.39
	College	61.05	61.05	61.18
	High School	22.87	25.81	23.43
	Under High School	8.99	6.35	8.40

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

	2021	2022	Until April 30, 2023
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

	2023	2024	2025
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.)	8,000,000	9,000,000	10,000,000

### (3) Impact of improvements

Effect on net income (approx.)	8,000,000	9,000,000	10,000,000
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 2022:

The total number of training participants was approximately 1,086.

The total number of training hours was about 4,351.

The average number of training hours per person was about 6.4hr.

The average number of training sessions per person per year is about 1.65 sessions/year.

The total training cost is \$486,000.

The average training cost per person is \$741.

#### 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. The Company prepares a budget for Cyber security every year to maintain network equipment, update security protection software, upgrade firewall levels, and conduct regular system audits. The information unit continues to strengthen Cyber security advocacy.

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	KC Cottrell Taiwan Co., Ltd	2021.12	Equipment maintenance, updating and other projects	No Special Limit Terms
Engineering Contract	ChipMOS	2021.12	Equipment maintenance, updating and other projects	No Special Limit Terms
Purchasing and Engineering Contract	TPC	2022.01	Equipment maintenance, updating and other projects	No Special Limit Terms
Engineering Contract	Macronix International Co., Ltd.	2022.01	Equipment maintenance, updating and other projects	No Special Limit Terms
Engineering Contract	J&V Energy Technology Co., Ltd	2022.02	Equipment maintenance, updating and other projects	No Special Limit Terms
Engineering Contract	CHT	2022.02	Equipment maintenance, updating and other projects	No Special Limit Terms
Engineering Contract	UMC	2022.03	Equipment maintenance, updating and other projects	No Special Limit Terms
Engineering Contract	Jung Shiou Water Power Engineering Co., Ltd	2022.03	Equipment maintenance, updating and other projects	No Special Limit Terms
Engineering Contract	TCC CHIA-CHIEN Green Energy Corporation LTD.	2022.08	Equipment maintenance, updating and other projects	No Special Limit Terms
Engineering Contract	Honglin Technology Co., Ltd.	2022.12	Equipment maintenance, updating and other projects	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)					Finance Data of Current Year to 2023-03-31 (Note 3)
		2018	2019	2020	2021	2022	
Current asset		3,737,583	3,736,015	4,009,698	5,720,305	7,396,283	7,863,006
Property, Plant and Equipment (Note 2)		1,005,520	1,008,812	1,088,148	1,354,528	1,536,559	1,576,395
Intangible asset		16,072	12,302	30,920	14,581	10,577	10,268
Other assets (Note 2)		943,811	1,040,411	990,698	1,102,629	1,139,692	1,115,887
Total asset		5,702,986	5,797,540	6,119,464	8,192,043	10,083,111	10,565,556
Current liability	Before distribution	2,520,053	2,417,240	2,451,727	4,123,893	5,752,902	6,118,942
	After distribution	2,660,800	2,562,209	2,603,945	4,295,138	5,992,645	6,358,685
Noncurrent liability		290,702	280,100	340,391	459,582	410,405	396,729
Total liability	Before distribution	2,810,755	2,697,340	2,792,118	4,583,475	6,163,307	6,515,671
	After distribution	2,951,502	2,842,309	2,944,336	4,754,720	6,403,050	6,755,414
Interest of Consolidated Net Income Attributed to Stockholders of the Company		2,833,611	3,032,609	3,261,157	3,535,570	3,831,361	3,957,067
Capital stock		2,010,670	2,010,670	2,070,990	2,174,540	2,283,267	2,397,430
Capital Surplus		65,429	67,172	68,870	71,031	73,039	73,039
Retained earnings	Before distribution	784,111	883,972	978,185	1,091,922	1,348,596	1,491,204
	After distribution	643,364	635,453	717,240	806,514	1,036,930	1,179,538
Other equity		15,017	52,091	81,178	130,966	53,912	37,010
Treasury stock		(41,616)	(41,616)	(41,616)	(41,616)	(41,616)	(41,616)
Non-controlling interest		58,620	67,591	66,189	72,998	88,443	92,818
Total equity	Before distribution	2,892,231	3,100,200	3,327,346	3,608,568	3,919,804	4,049,885
	After distribution	2,751,484	2,955,231	3,175,128	3,437,323	3,680,061	3,810,142

\* 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\$ 1000

Item		Year	2018~2022 Finance Data (Note 1)				
			2018	2019	2020	2021	2022
Current asset			3,485,561	3,470,858	3,569,633	5,227,357	6,531,648
Property, Plant and Equipment (Note 2)			896,068	902,016	974,161	1,175,322	1,358,834
Intangible asset			12,348	9,965	8,061	7,776	5,791
Other assets (Note 2)			1,140,208	1,264,423	1,362,334	1,490,844	1,635,793
Total asset			5,534,185	5,647,262	5,914,189	7,901,299	9,532,066
Current liability	Before distribution		2,419,688	2,344,406	2,341,773	3,978,652	5,356,694
	After distribution		2,560,435	2,489,375	2,493,991	4,149,897	5,596,437
Noncurrent liability			280,886	270,247	311,259	387,077	344,011
Total liability	Before distribution		2,700,574	2,614,653	2,653,032	4,365,729	5,700,705
	After distribution		2,841,321	2,759,622	2,805,250	4,536,974	5,940,448
Interest of Consolidated Net Income Attributed to Stockholders of the Company			2,833,611	3,032,609	3,261,157	3,535,570	3,831,361
Capital stock			2,010,670	2,070,990	2,174,540	2,283,267	2,397,430
Capital Surplus			65,429	67,172	68,870	71,031	73,039
Retained earnings	Before distribution		784,111	883,972	978,185	1,091,922	1,348,596
	After distribution		643,364	635,453	717,240	806,514	1,036,930
Other equity			15,017	52,091	81,178	130,966	53,912
Treasury stock			(41,616)	(41,616)	(41,616)	(41,616)	(41,616)
Total equity	Before distribution		2,833,611	3,032,609	3,261,157	3,535,570	3,831,361
	After distribution		2,692,864	2,887,640	3,108,939	3,364,325	3,591,618

\* 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\$ 1000

Item \ Year	2018~2022 Finance Data (Note 1)					Finance Data of Current Year to 2023-03-31 (Note 2)
	2018	2019	2020	2021	2022	
Operation Income	4,276,436	4,819,154	5,113,892	5,681,629	7,709,152	1,857,584
Gross Profit	666,071	840,010	903,842	976,006	1,288,902	317,379
Operating Income	169,627	277,025	348,750	375,966	496,953	164,998
Nonoperating Income and Expenditure	74,787	50,919	40,670	52,269	95,243	8,659
Profit before tax	244,414	327,944	389,420	428,235	592,196	173,657
Nontinuing operations Net Income	210,462	297,423	320,145	368,408	525,880	146,603
Net Income (Loss)	210,462	297,423	320,145	368,408	525,880	146,603
Other comprehensive income (Net amount after tax)	(20,721)	49,544	49,281	64,630	(40,375)	(16,522)
Total comprehensive income	189,741	346,967	369,426	433,038	485,505	130,081
The net profit attributed to the owner of the parent company	215,908	295,581	323,925	361,521	508,831	142,612
The net profit attributed to Non-controlling interest	(5,446)	1,842	(3,780)	6,887	17,049	3,991
Total comprehensive income attributed to the owner of the parent company	199,866	338,002	371,819	424,469	468,264	125,706
Total comprehensive income attributed to the owner Non-controlling interest	(10,125)	8,965	(2,393)	8,569	17,241	4,375
Surplus per Share	1.05	1.44	1.51	1.60	2.15	0.60

\* 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.

## Concise Comprehensive Income Statement-Individual

Unit: NT\$ 1000

Item \ Year	2018~2022 Finance Data (Note 1)				
	2018	2019	2020	2021	2022
Operation Income	4,179,791	4,719,025	5,012,368	5,390,995	7,185,438
Gross Profit	633,216	773,556	824,914	805,236	1,012,767
Operating Income	201,968	275,649	352,321	321,977	375,954
Nonoperating Income and Expenditure	48,313	49,210	26,695	85,154	189,521
Profit before tax	250,281	324,859	379,016	407,131	565,475
Nontinuing operations Net Income	215,908	295,581	323,925	361,521	508,831
Net Income (Loss)	215,908	295,581	323,925	361,521	508,831
Other comprehensive income (Net amount after tax)	(16,042)	42,421	47,894	62,948	(40,567)
Total comprehensive income	199,866	338,002	371,819	424,469	468,264
Surplus per Share	1.05	1.44	1.51	1.60	2.15

\* 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 Certified Public Accountant	Checking Opinions
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
2022	HUNG, YU-LING, CHO, MIN-CHIH	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 2018-2022					Financial Information of the year ended on March 31, 2023 (Note 2)
			2018	2019	2020	2021	2022	
Financial Structure%	Liabilities to assets ratio		49.29	46.53	45.63	55.95	61.13	61.67
	Long-term capital to property, plant and equipment plant and equipment ratio		316.55	328.38	337.06	300.34	281.81	282.07
Debt Service Capacity%	Current Ratio		148.31	154.56	163.55	138.71	128.57	128.50
	Quick Ratio		90.97	92.01	110.46	91.09	76.66	72.69
	Interest cover multiple		22.53	31.62	35.87	31.81	21.48	15.91
Operation Capabilities	Receivables turnover rate (times)		2.28	2.79	2.93	2.25	2.29	2.06
	Average number of days of receipt		160	131	125	162	159	177
	Inventory turnover rate (times)		2.98	2.84	2.83	2.84	2.60	1.87
	Turnover rate of accounts payable (times)		2.48	2.73	2.83	2.72	2.64	2.24
	Average days of sales		122	129	129	129	140	195
	Movable Property, Plant and Equipment Turnover (Times)		4.30	4.78	4.88	4.65	5.33	4.77
	Total assets turnover (times)		0.79	0.84	0.86	0.79	0.84	0.72
Profitability	Return on Assets (%)		4.04	5.32	5.52	5.30	6.01	1.51
	Return on Equity (%)		7.47	9.93	9.96	10.62	13.97	3.68
	Net income before income tax as a percentage of paid-in capital ratio (%) (Note 7)		12.16	15.84	17.91	18.76	24.70	7.24
	Net Profit Rate (%)		4.92	6.17	6.26	6.48	6.82	7.89
	Earnings per share (dollar)		1.09	1.44	1.51	1.60	2.15	0.60
Cash Flow	Cash Flow Ratio (%)		0	14.62	14.04	-	3.91	-
	Cash flow fair value ratio (%)		68.75	80.29	96.32	59.78	10.89	-
	Cash reinvestment ratio (%)		0	5.08	4.90	-	0.92	-
Leverage Degree	Operating leverage		4.26	3.22	2.74	2.75	2.84	-
	Financial leverage		1.07	1.04	1.03	1.04	1.06	1.08

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 decrease in interest coverage ratio: mainly due to an increase in borrowing and an increase in interest rates, resulting in a decrease in interest coverage ratio
- The increase in return on equity: mainly due to a significant increase in net profit of 40% in the current period
- The increase in the ratio of pre tax net profit to paid-in capital: mainly due to a significant increase of 40% in net profit for the current period
- The increase in earnings per share: mainly due to a significant 40% increase in net profit for the current period
- The decrease in cash flow adequacy ratio: mainly due to the continuous construction of factories in recent years and a significant increase in orders in hand, resulting in an increase in inventory due to the increased demand for material preparation and shipment

\* 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)		2018-2022 Financial Analysis				
		2018	2019	2020	2021	2022
Financial Structure%	Liabilities to assets ratio	48.80	46.30	44.86	55.25	59.81
	Long-term capital to property, plant and equipment ratio	347.57	366.16	366.72	333.75	307.28
Debt Service Capacity%	Current Ratio	144.05	148.05	152.43	131.39	121.93
	Quick Ratio	99.84	87.86	106.17	87.96	74.62
	Interest cover multiple	28.80	38.02	42.32	41.82	24.42
Operation Capabilities	Receivables turnover rate (times)	2.28	2.79	2.92	2.16	2.18
	Average number of days of receipt	160	131	125	169	167
	Inventory turnover rate (times)	3.24	3.04	3.15	3.15	2.76
	Turnover rate of accounts payable (times)	2.29	2.61	2.81	2.59	2.55
	Average number of sales days	113	120	116	116	132
	Property, plant and equipment turnover rate (times)	4.69	5.25	5.34	5.02	5.67
	Total assets turnover (times)	0.80	0.84	0.87	0.78	0.82
Profitability	Return on Assets (%)	4.25	5.41	5.73	5.35	6.06
	Return on Equity (%)	7.82	10.08	10.29	10.64	13.81
	Net income before tax as a percentage of paid-in capital (%) (Note 7)	12.45	15.69	17.43	17.83	23.59
	Net Profit Rate (%)	5.17	6.26	6.46	6.71	7.08
	Earnings per share (NT\$)	1.09	1.44	1.51	1.60	2.15
Cash Flow	Cash flow ratio (%)	-	10.43	17.23	-	5.33
	Cash flow fair value ratios (%)	64.32	64.34	92.54	56.91	31.97
	Cash reinvestment ratio (%)	-	2.88	6.04	-	2.53
Leverage	Operating leverage	3.39	3.01	2.52	2.72	2.83
	Financial leverage	1.05	1.03	1.03	1.03	1.07

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 decrease in interest coverage ratio: mainly due to an increase in borrowing and an increase in interest rates, resulting in a decrease in interest coverage ratio
- The increase in return on equity: mainly due to a significant increase in net profit of 40% in the current period
- The increase in the ratio of pre tax net profit to paid-in capital is mainly due to a significant increase of 40% in net profit for the current period
- The increase in earnings per share: mainly due to a significant 40% increase in net profit for the current period
- The decrease in cash flow adequacy ratio: mainly due to the continuous construction of factories in recent years and a significant increase in orders in hand, resulting in an increase in inventory due to the increased demand for material preparation and shipment

\* 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 2022 Financial Report

#### Audit Committee review report

Hereby

The Board of Directors has sent the Company's 2022 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 2023

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

2023-03-14

## 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, 2022 are all the same as those included in the consolidated financial statements of Allis Electric Co., Ltd. and its subsidiaries prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of Allis Electric Co., Ltd. and its subsidiaries. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

ALLIS ELECTRIC CO., LTD.

By

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Herr-Yeh Sung  
Chairman

March 14, 2023



**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, 2022 and 2021, 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, 2022 and 2021, 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 Standards on Auditing of 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, 2022. 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, 2022 and 2021, 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, 2022 and 2021, the total assets of such subsidiaries were NT\$396,777 thousand and NT\$186,379 thousand, respectively, which represented 3.94% and 2.28%, respectively, of Allis Electric Group's consolidated total assets. For the year ended December 31, 2022 and 2021, the operating revenue of such subsidiaries were NT\$411,679 thousand and NT\$241,832 thousand, respectively, which represented 5.34% and 4.26%, 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, 2022 and 2021, 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, 2022 and 2021, the aforementioned investments accounted for using equity method were NT\$342,824 thousand and NT\$320,114 thousand, respectively, which represented 3.40% and 3.91%, respectively, of Allis Electric Group's consolidated total assets. Allis Electric Group's share of comprehensive income or loss of such associates were NT\$73,472 thousand and NT\$52,561 thousand for the years ended December 31, 2022 and 2021, respectively, which represented 15.13% and 12.14%, 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, 2022 and 2021 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 Standards on Auditing of 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 Standards on Auditing of 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, 2022 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 Yu-ling Hung and Min-chih Chuo.

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

March 14, 2023

#### 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 SHEETS  
DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)

	Notes	2022.12.31		2021.12.31		LIABILITIES AND EQUITY	Notes	2022.12.31		2021.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>ASSETS</b>											
<b>CURRENT ASSETS</b>											
1100						Short-term loans					
1110	Note 4 and 6	\$ 670,064	6.65	\$ 499,304	6.10	Financial liabilities at fair value through profit or loss	Note 6	\$ 2,272,655	22.54	\$ 1,899,344	23.19
1120	Note 4 and 6	2,423	0.02	800	0.01	Contract liabilities	Note 4 and 6	—	—	442	0.01
1140	Note 4 and 6	25,088	0.25	32,835	0.40	Notes payable	Note 4 and 6	728,099	7.22	251,134	3.06
1150	Note 4	532,698	5.28	318,776	3.89	Accounts payable	Note 7	70,773	0.70	17,203	0.21
1160	Note 4 and 6	119,785	1.18	102,446	1.25	Accounts payable to related parties	Note 7	2,055,793	20.39	1,451,174	17.71
1170	Note 7	3,504	0.03	—	—	Other payables	Note 7	129,678	1.29	172,456	2.11
1180	Note 4 and 6	3,464,345	34.36	2,975,697	36.32	Current tax liabilities	Note 7	415,565	4.12	257,123	3.14
1200	Note 6 and 7	32,044	0.32	37,752	0.46	Provisions	Note 4	53,997	0.54	52,387	0.64
1220	Note 4, 6, 7, and 8	92,822	0.93	107,751	1.32	Short-term onerous contracts provision	Note 4 and 6	12,100	0.12	12,100	0.15
1310	Note 4 and 6	—	—	70	0.00	Lease liabilities	Note 4	62	0.00	62	0.00
1410	Note 4 and 6	2,376,067	23.56	1,572,188	19.19	Current portion of long-term loans	Note 6	3,352	0.03	4,274	0.05
1479	Note 6	76,269	0.76	72,334	0.88	Other current liabilities	Note 6	8,394	0.08	5,025	0.06
11xx		1,174	0.01	352	0.01	Total current liabilities		2,434	0.03	1,169	0.01
		7,396,283	73.35	5,720,305	69.83			5,752,902	57.06	4,123,893	50.34
<b>NON-CURRENT ASSETS</b>											
1517	Note 4 and 6	267,869	2.66	307,501	3.75	Long-term loans	Note 6	211,728	2.10	216,458	2.64
1550	Note 4 and 6	342,824	3.40	320,114	3.91	Deferred tax liabilities	Note 4 and 6	174,652	1.73	174,486	2.13
1600	Note 4, 6 and 8	1,536,559	15.24	1,354,528	16.53	Lease liabilities	Note 4	1,816	0.02	5,039	0.06
1755	Note 4 and 6	4,840	0.05	8,962	0.11	Net defined benefit liabilities	Note 4 and 6	18,840	0.19	60,191	0.74
1760	Note 4, 6 and 8	353,552	3.51	355,701	4.34	Guarantee deposits		3,369	0.03	3,408	0.04
1780	Note 4 and 6	10,577	0.10	14,581	0.18	Total non-current liabilities		410,405	4.07	459,582	5.61
1840	Note 4 and 6	30,459	0.30	21,800	0.27	Total liabilities		6,163,307	61.13	4,583,475	55.95
1915	Note 4 and 6	720	0.01	5,719	0.07	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>					
1920	Note 4 and 6	127,119	1.26	71,369	0.87	Share capital	Note 6	2,397,430	23.78	2,283,267	27.87
1975	Note 4 and 6	2,171	0.02	1,341	0.02	Capital surplus	Note 6	73,039	0.72	71,031	0.87
1980	Note 6	390	0.00	374	0.00	Retained earnings		204,656	2.03	167,107	2.04
1990	Note 6	9,748	0.10	9,748	0.12	Legal reserve		450,584	4.47	451,387	5.51
15xx		2,686,828	26.65	2,471,738	30.17	Special reserve		693,356	6.87	473,428	5.78
						Unappropriated earnings	Note 6	1,348,596	13.37	1,091,922	13.33
						Total retained earnings		53,912	0.53	130,966	1.60
						Other equity	Note 6	(41,616)	(0.41)	(41,616)	(0.51)
						Treasury Stock		3,831,361	37.99	3,535,570	43.16
						Total equity attributable to owners of the parent		88,443	0.88	72,998	0.89
						NON-CONTROLLING INTERESTS		3,919,804	38.87	3,608,568	44.05
						Total equity		\$ 10,083,111	100.00	\$ 8,192,043	100.00
						TOTAL LIABILITIES AND EQUITY					

The accompanying notes are an integral part of the consolidated financial statements.  
(With Earnest & Co., CPAs auditors' report dated March 14, 2023)

Allis Electric Co., Ltd. and Subsidiaries  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Notes	2022		2021	
		Amount	%	Amount	%
4000 OPERATING REVENUE	Note 4, 6 and 7	\$ 7,709,152	100.00	\$ 5,681,629	100.00
5000 OPERATING COST	Note 6 and 7	6,418,988	83.26	4,705,428	82.82
5900 GROSS PROFIT		1,290,164	16.74	976,201	17.18
5910 LESS: UNREALIZED GROSS PROFIT ON SALES		1,262	0.02	195	0.00
5950 NET GROSS PROFIT		1,288,902	16.72	976,006	17.18
OPERATING EXPENSES					
6100 Selling and marketing expenses	Note 7	454,330	5.89	335,803	5.91
6200 General and administrative expenses		201,797	2.62	157,038	2.76
6300 Research and development expenses	Note 7	125,220	1.62	100,143	1.76
6450 Expected credit impairment loss		10,602	0.14	7,056	0.13
6000 Total operating expenses		791,949	10.27	600,040	10.56
6900 OPERATING INCOME		496,953	6.45	375,966	6.62
NON-OPERATING INCOME AND EXPENSES					
7010 Other income	Note 6 and 7	28,324	0.36	26,327	0.46
7020 Other gains and losses	Note 6	25,182	0.33	(13,558)	(0.24)
7050 Finance costs	Note 6	(28,912)	(0.38)	(13,897)	(0.24)
7060 Share of profit of associates accounted for using equity method	Note 4 and 6	70,649	0.92	53,397	0.94
7000 Total non-operating income and expenses		95,243	1.23	52,269	0.92
7900 INCOME BEFORE INCOME TAX		592,196	7.68	428,235	7.54
7950 INCOME TAX EXPENSE	Note 4 and 6	66,316	0.86	59,827	1.05
8200 NET INCOME		525,880	6.82	368,408	6.49
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	27,378	0.36	10,123	0.18
8316 Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	Note 4	(77,683)	(1.01)	57,779	1.02
8321 Share of remeasurement of defined benefit plans of associates accounted for using equity method		2,061	0.03	(503)	(0.01)
8349 Income tax relating to items that will not be reclassified to profit or loss	Note 6	(164)	0.00	16	0.00
Items that may be reclassified subsequently to profit or loss					
8361 Exchange differences on translating foreign operation		7,271	0.09	(2,452)	(0.05)
8370 Share of other comprehensive income (loss) of associates accounted for using equity method		762	0.01	(333)	(0.01)
8300 Other comprehensive income, net		(40,375)	(0.52)	64,630	1.13
8500 TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 485,505	6.30	\$ 433,038	7.62
NET INCOME ATTRIBUTABLE TO					
8610 Owners of the parent		\$ 508,831	6.60	\$ 361,521	6.37
8620 Non-controlling interests		17,049	0.22	6,887	0.12
		\$ 525,880	6.82	\$ 368,408	6.49
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO					
8700 Owners of the parent		\$ 468,264	6.07	\$ 424,469	7.47
8720 Non-controlling interests		17,241	0.23	8,569	0.15
		\$ 485,505	6.30	\$ 433,038	7.62
9750 EARNINGS PER SHARE	Note 6	\$ 2.15		\$ 1.53	

The accompanying notes are an integral part of the consolidated financial statements.  
(With Earnest & Co., CPAs auditors' report dated March 14, 2023)

Allis Electric Co., Ltd. and Subsidiaries  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)  
Equity Attributable to Owners of Parent

	Share Capital		Retained Earnings				Other Equity				Total	Non-controlling Interests	Total Equity
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operation	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Treasury Stock				
BALANCE, JANUARY 1, 2021	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	
Appropriation of the 2021 earnings													
Legal reserve appropriated				37,549		(37,549)							
Cash dividends-NT\$0.75 per share						(171,245)				(171,245)		(171,245)	
Stock dividends-NT\$0.50 per share	11,416	114,163				(114,163)							
Net income in 2022						508,831				508,831	17,049	525,880	
Other comprehensive income and loss in 2022, net of income tax						29,165	6,829	(76,561)		(40,567)	192	(40,375)	
Total comprehensive income in 2022						537,996	6,829	(76,561)		468,264	17,241	485,505	
Cash dividends from subsidiaries											(12,051)	(12,051)	
Cash dividends distributed to subsidiaries			2,012							2,012	2	2,014	
Disposal of investments in equity instruments at fair value through other comprehensive income						7,322		(7,322)					
Changes in ownership interests in subsidiaries						(3,236)				(3,236)	10,253	7,017	
Return of donation from owners			(4)							(4)		(4)	
Reversal of special reserve					(803)	803							
BALANCE, DECEMBER 31, 2022	239,743	\$ 2,397,430	\$ 73,039	\$ 204,656	\$ 450,584	\$ 693,356	\$ (6,978)	\$ 60,890	\$ (41,616)	\$ 3,831,361	\$ 88,443	\$ 3,919,804	

The accompanying notes are an integral part of the consolidated financial statements.  
(With Earnest & Co., CPAs auditors' report dated March 14, 2023)

Allis Electric Co., Ltd. and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income before income tax	\$ 592,196	\$ 428,235
Adjustments for		
Adjustments to reconcile profit (loss)		
Depreciation expense	50,624	45,144
Amortization expense	5,466	5,662
Expected credit impairment loss	10,602	7,056
Net gain on financial instruments at fair value through profit or loss	(10,658)	(1,482)
Interest expense	28,912	13,897
Interest income	(4,025)	(3,243)
Dividend income	(4,207)	(2,895)
Share of profit of associates accounted for using equity method	(70,649)	(53,397)
Net loss on disposal of property, plant and equipment	50	685
Loss on disposal of investments	—	692
Unrealized gross profit on sales	1,262	195
Impairment loss	—	12,667
Changes in operating assets and liabilities		
Increase in contract assets	(213,922)	(168,297)
Increase in notes receivable	(17,443)	(38,202)
Decrease (increase) in notes receivable from related parties	(3,504)	613
Increase in accounts receivable	(490,230)	(1,143,432)
Decrease (increase) in accounts receivable from related parties	5,708	(22,017)
Decrease in other receivables	14,722	102,609
Increase in inventories	(800,396)	(479,687)
Increase in prepayments	(3,869)	(26,145)
Decrease (increase) in other current assets	(1,288)	4,833
Increase in net defined benefit asset	(10)	(4)
Changes in financial instruments at fair value through profit or loss	8,593	(146)
Increase in contract liabilities	476,717	47,500
Increase in notes payable	53,570	1,025
Decrease in notes payable to related parties	—	(6,048)
Increase in accounts payable	596,288	412,636
Increase (decrease) in accounts payable to related parties	(42,778)	87,324
Increase in other payables	130,076	24,400
Decrease in short-term onerous contracts provision	—	(1,571)
Increase (decrease) in other current liabilities	1,264	(3,634)



Allis Electric Co., Ltd. and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)

	<u>2022</u>	<u>2021</u>
Decrease in net defined benefit liabilities	\$ (14,793)	\$ (19,794)
Cash inflow (outflow) generated from (used in) operations	298,278	(774,821)
Income tax paid	(73,238)	(40,972)
Net cash generated from (used in) operating activities	<u>225,040</u>	<u>(815,793)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
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	(48,558)	(33,910)
Proceeds from disposal of financial assets at fair value through other comprehensive income	18,254	13,226
Acquisition of property, plant and equipment	(199,028)	(306,614)
Proceeds from disposal of property, plant and equipment	—	871
Acquisition of intangible assets	(1,294)	(2,638)
Decrease (increase) in prepayments for equipment	4,999	(5,719)
Increase in refundable deposits	(55,750)	(24,850)
Decrease (increase) in other receivables	500	(59,714)
Interest received	4,341	3,124
Cash dividend received	53,707	33,295
Net cash flows used in investing activities	<u>(222,829)</u>	<u>(382,750)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES :</b>		
Increase in short-term loans	13,050,899	8,199,910
Decrease in short-term loans	(12,678,357)	(7,105,087)
Increase in long-term loans	5,760	160,250
Decrease in long-term loans	(7,669)	(2,249)
Increase (decrease) in guarantee deposits	(38)	30
Interest paid	(27,914)	(13,497)
Repayment of the principal portion of lease liabilities	(4,219)	(4,652)
Cash dividends paid	(181,509)	(151,682)
Cash capital increase	8,377	3
Others	(4)	(139)
Net cash flows generated from financing activities	<u>165,326</u>	<u>1,082,887</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>3,223</u>	<u>(1,744)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	170,760	(117,400)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	499,304	616,704
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 670,064</u>	<u>\$ 499,304</u>

The accompanying notes are an integral part of the consolidated financial statements.  
(With Earnest & Co., CPAs auditors' report dated March 14, 2023)

Allis Electric Co., Ltd. and Subsidiaries  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
 (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 14, 2023.

**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 Group’s accounting policies.

- (2) The IFRSs endorsed by the FSC for application starting from 2023

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

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

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback ”	January 1, 2024
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9- Comparative Information ”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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	
			2022.12.31	2021.12.31
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%	82.64%
Qingdao Liming Industry Co., Ltd.	Selling of electrical equipment	Qingdao, China	—	— (Note)
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	70.00%	100%
PHD Powerhouse Distributions (PTY) Ltd.	Selling of electrical equipment	South Africa	90.00%	90.00%
Allis Electric (S) Pte. Ltd.	Selling of electrical equipment	Singapore	100.00%	—

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

(3) Foreign currencies

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

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

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

#### (5) Cash and cash equivalents

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

#### (6) Financial instruments

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

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

#### Financial assets

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

## a. Measurement categories

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

### ① Financial assets at FVTPL

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

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

### ② Financial assets at amortized cost

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

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

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

### ③ Investments in equity instruments at FVTOCI

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

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

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

## b. Impairment of financial assets

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

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

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

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

#### c. Derecognition of financial assets

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

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

#### Equity instruments

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

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

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

#### Financial liabilities

##### a. Subsequent measurement

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

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

b. Derecognition of financial liabilities

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

Derivative financial instruments

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

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

(7) Inventories

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

(8) Investments accounted for using equity method

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

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

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



recognized immediately in profit or loss.

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

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

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

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

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

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

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

Freehold land is not depreciated.

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

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

#### (10) Leases

##### a. The Group as lessee

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

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

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

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

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

##### b. The Group as lessor

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

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

#### (11) Investment properties

Investment properties are properties held to earn rentals and/or for capital

appreciation. Investment properties also include land held for a currently undetermined future use.

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

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

## (12) Intangible assets

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

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

#### (16) Revenue Recognition

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

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

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

the merchandise has been transferred are recognized as a contract liability.

b. Construction contract revenue

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

(17) Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax

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

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

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

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

### Estimated impairment of accounts receivables

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

As of December 31, 2022 and 2021, the carrying amounts of accounts receivable were NT\$3,496,389 thousand and NT\$3,013,449 thousand, respectively.

## 6. SIGNIFICANT ACCOUNTS DISCLOSURES

### (1) Cash and cash equivalents

	<u>2022.12.31</u>	<u>2021.12.31</u>
Petty cash and cash on hand	\$ 1,631	\$ 1,792
Checking accounts and demand deposits	651,433	373,696
Cash equivalents		
Time deposits with original maturities less than one year	<u>17,000</u>	<u>123,816</u>
Total	<u>\$ 670,064</u>	<u>\$ 499,304</u>

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

<u>Financial assets</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Financial assets mandatorily classified as at FVTPL		
Convertible Bonds	\$ 540	\$ 800
Foreign exchange contracts	1,883	—
	<u>\$ 2,423</u>	<u>\$ 800</u>
<u>Financial liabilities</u>		
Financial liabilities held for trading		
Foreign exchange contracts	<u>\$ —</u>	<u>\$ (442)</u>

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

b. Outstanding forward exchange contracts consisted of the following:

	<u>Maturity Date</u>	<u>Contract Amount</u>
<u>2022.12.31</u>		
Sell NTD/Buy USD	2023.03.01-2023.06.02	USD 2,800 /NTD 83,195
<u>2021.12.31</u>		
Sell NTD/Buy USD	2022.01.14-2022.06.01	USD 10,818 /NTD 108,162

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Listed shares	\$ 25,088	\$ 32,835
Unlisted shares	267,869	307,501
Total	<u>\$ 292,957</u>	<u>\$ 340,336</u>
Current	\$ 25,088	\$ 32,835
Non-current	267,869	307,501
Total	<u>\$ 292,957</u>	<u>\$ 340,336</u>

As of December 31, 2022 and 2021, FVTOCI were not pledged as collateral for bank borrowings.

(4) Notes receivable and accounts receivable

	<u>2022.12.31</u>	<u>2021.12.31</u>
Notes receivable	\$ 120,410	\$ 102,967
Less: Allowance for impairment loss	(625)	(521)
Notes receivable, net	<u>\$ 119,785</u>	<u>\$ 102,446</u>
Accounts receivable	\$ 3,559,743	\$ 3,080,596
Less : Unrealized interest income	(19,527)	(15,015)
Allowance for impairment loss	<u>(75,871)</u>	<u>(89,884)</u>

	2022.12.31	2021.12.31
Accounts receivable, net	\$ 3,464,345	\$ 2,975,697
Accounts receivable from related parties	\$ 32,044	\$ 37,752

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:

#### 2022.12.31

	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	\$ 2,526,302	\$ 358,138	\$ 258,524	\$ 122,131	\$ 260,051	\$ 38,125	\$ 28,516	\$ 3,591,787
Loss allowance	(31,721)	(9,639)	(2,572)	(4,713)	(7,738)	(8,497)	(10,991)	(75,871)
Amortized cost	<u>\$ 2,494,581</u>	<u>\$ 348,499</u>	<u>\$ 255,952</u>	<u>\$ 117,418</u>	<u>\$ 252,313</u>	<u>\$ 29,628</u>	<u>\$ 17,525</u>	<u>\$ 3,515,916</u>

#### 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	<u>\$ 2,013,049</u>	<u>\$ 641,166</u>	<u>\$ 161,400</u>	<u>\$ 86,873</u>	<u>\$ 83,471</u>	<u>\$ 37,103</u>	<u>\$ 5,402</u>	<u>\$ 3,028,464</u>

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

	2022.12.31	2021.12.31
Balance, beginning of the year	\$ 90,405	\$ 83,131
Loss allowance recognized	10,602	7,306
Amounts written off	(24,530)	—
Effect of foreign currency exchange differences	19	(32)
Balance, end of the year	<u>\$ 76,496</u>	<u>\$ 90,405</u>



(5) Inventories

	<u>2022.12.31</u>	<u>2021.12.31</u>
Finished goods	\$ 523,858	\$ 395,066
Work-in-process	562,372	448,111
Raw materials	1,225,872	646,166
Inventory in transit	63,965	82,845
Inventories, net	<u>\$ 2,376,067</u>	<u>\$ 1,572,188</u>

For the cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021, please refer to Note 6(19).

For the years ended December 31, 2022 and 2021, write-down of inventories to net realizable value were included in the cost of goods sold as follows:

	<u>2022</u>	<u>2021</u>
Inventory losses	\$ 20,033	\$ 22,576

As of December 31, 2022 and 2021, inventories were not pledged as collateral for bank borrowings.

(6) Other receivables, net

	<u>2022.12.31</u>	<u>2021.12.31</u>
Pledged time deposits	\$ 5,072	\$ 5,033
Loan receivable	59,214	59,714
Restricted deposit	18,261	37,798
Others	10,665	5,580
Other receivables, net	<u>\$ 93,212</u>	<u>\$ 108,125</u>
Current	\$ 92,822	\$ 107,751
Non-current	390	374
Total	<u>\$ 93,212</u>	<u>\$ 108,125</u>

(7) Investments accounted for using equity method

Name of Associates	<u>2022.12.31</u>		<u>2021.12.31</u>	
	% of Ownership	Amount	% of Ownership	Amount
Nissin-Allis Electric Co., Ltd.	30.00%	\$ 250,109	30.00%	\$ 214,265
Nissin Allis Union Ion Equipment Co., Ltd.	40.00%	92,715	40.00%	105,849
AYM International Corporation	40.00%	—	40.00%	—
Intelici Corporation	29.16%	—	29.16%	—
Total		<u>\$ 342,824</u>		<u>\$ 320,114</u>

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

Aggregate information of associates that are not individually material:

	2022.12.31	2021.12.31
Equity	\$ 1,071,857	\$ 981,006
	2022	2021
The Group's share of :		
Net income for the year	\$ 70,649	\$ 53,397
Other comprehensive income (loss)	2,823	(836)
Total comprehensive income (loss) for the year	\$ 73,472	\$ 52,561

(8) Property, plant and equipment

	2022.12.31	2021.12.31
Land	\$ 711,977	\$ 711,977
Buildings	462,337	240,871
Machinery and equipment	71,252	61,527
Transportation equipment	10,831	9,078
Other equipment	57,965	48,546
Construction in progress	222,197	282,529
Total carrying amounts	\$ 1,536,559	\$ 1,354,528

Cost	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Balance at January 1, 2022	\$ 711,977	\$ 631,463	\$ 442,717	\$ 42,329	\$ 152,536	\$ 282,529	\$ 2,263,551
Additions	—	1,727	25,021	3,512	18,855	177,032	226,147
Disposals	—	—	(2,712)	(936)	(2,383)	—	(6,031)
Internal transfer	—	237,364	—	—	—	(237,364)	—
Effect of foreign currency exchange differences	—	—	709	7	183	—	899
Balance at December 31, 2022	\$ 711,977	\$ 870,554	\$ 465,735	\$ 44,912	\$ 169,191	\$ 222,197	\$ 2,484,566
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ —	\$ 390,592	\$ 381,190	\$ 33,251	\$ 103,990	\$ —	\$ 909,023
Depreciation expense	—	17,625	15,463	1,766	9,434	—	44,288
Disposals	—	—	(2,712)	(936)	(2,333)	—	(5,981)
Effect of foreign currency exchange differences	—	—	542	—	135	—	677
Balance at December 31, 2022	\$ —	\$ 408,217	\$ 394,483	\$ 34,081	\$ 111,226	\$ —	\$ 948,007
Carrying amounts at December 31, 2022	\$ 711,977	\$ 462,337	\$ 71,252	\$ 10,831	\$ 57,965	\$ 222,197	\$ 1,536,559

Cost			Machinery and	Transportation	Other	Construction	Total
	Land	Buildings	Equipment	Equipment	Equipment	in Progress	
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	<u>\$ 711,977</u>	<u>\$ 631,463</u>	<u>\$ 442,717</u>	<u>\$ 42,329</u>	<u>\$ 152,536</u>	<u>\$ 282,529</u>	<u>\$ 2,263,551</u>
<u>Accumulated depreciation</u>							
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	<u>\$ —</u>	<u>\$ 390,592</u>	<u>\$ 381,190</u>	<u>\$ 33,251</u>	<u>\$ 103,990</u>	<u>\$ —</u>	<u>\$ 909,023</u>
Carrying amounts at December 31, 2021	<u>\$ 711,977</u>	<u>\$ 240,871</u>	<u>\$ 61,527</u>	<u>\$ 9,078</u>	<u>\$ 48,546</u>	<u>\$ 282,529</u>	<u>\$ 1,354,528</u>

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

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

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

c. For the years ended December 31, 2022 and 2021, capitalized interests were NT\$1,350 thousand and NT\$1,816 thousand, respectively; capitalization rate were 1.26% and 0.98%, respectively.

d. As of December 31, 2022 and 2021, the title of farmland with carrying amounts of NT\$308 thousand were temporarily registered in the name of Herr-Yeh Sung who had signed an agreement and had pledged the land to the Company.

(9) Right-of-use assets

	<u>2022.12.31</u>	<u>2021.12.31</u>
Buildings	\$ —	\$ 955
Transportation equipment	1,375	1,944
Other equipment	<u>3,465</u>	<u>6,063</u>
Total carrying amounts	<u>\$ 4,840</u>	<u>\$ 8,962</u>

Cost	Transportation		Other	Total
	Buildings	Equipment	Equipment	
Balance at January 1, 2022	\$ 2,777	\$ 2,498	\$ 13,858	\$ 19,133
Additions	—	—	—	—
Decrease	(2,016)	—	—	(2,016)
Effect of foreign currency exchange differences	—	70	—	70
Balance at December 31, 2022	<u>\$ 761</u>	<u>\$ 2,568</u>	<u>\$ 13,858</u>	<u>\$ 17,187</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2022	\$ 1,822	\$ 554	\$ 7,795	\$ 10,171
Depreciation expense	955	634	2,598	4,187
Decrease	(2,016)	—	—	(2,016)
Effect of foreign currency exchange differences	—	5	—	5
Balance at December 31, 2022	<u>\$ 761</u>	<u>\$ 1,193</u>	<u>\$ 10,393</u>	<u>\$ 12,347</u>
Carrying amounts at December 31, 2022	<u>\$ —</u>	<u>\$ 1,375</u>	<u>\$ 3,465</u>	<u>\$ 4,840</u>
Cost	Transportation		Other	Total
	Buildings	Equipment	Equipment	
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	<u>\$ 2,777</u>	<u>\$ 2,498</u>	<u>\$ 13,858</u>	<u>\$ 19,133</u>
<u>Accumulated depreciation</u>				
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	<u>\$ 1,822</u>	<u>\$ 554</u>	<u>\$ 7,795</u>	<u>\$ 10,171</u>
Carrying amounts at December 31, 2021	<u>\$ 955</u>	<u>\$ 1,944</u>	<u>\$ 6,063</u>	<u>\$ 8,962</u>

## (10) Investment properties

	<u>2022.12.31</u>	<u>2021.12.31</u>
Land	\$ 308,269	\$ 308,269
Buildings	<u>45,283</u>	<u>47,432</u>
Total carrying amounts	<u><u>\$ 353,552</u></u>	<u><u>\$ 355,701</u></u>

<u>Cost</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at January 1, 2022	\$ 308,269	\$ 74,077	\$ 382,346
Additions	—	—	—
Balance at December 31, 2022	<u><u>\$ 308,269</u></u>	<u><u>\$ 74,077</u></u>	<u><u>\$ 382,346</u></u>

<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ —	\$ 26,645	\$ 26,645
Depreciation expense	—	2,149	2,149
Balance at December 31, 2022	<u><u>\$ —</u></u>	<u><u>\$ 28,794</u></u>	<u><u>\$ 28,794</u></u>
Carrying amounts at December 31, 2022	<u><u>\$ 308,269</u></u>	<u><u>\$ 45,283</u></u>	<u><u>\$ 353,552</u></u>

<u>Cost</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at January 1, 2021	\$ 308,269	\$ 74,077	\$ 382,346
Additions	—	—	—
Balance at December 31, 2021	<u><u>\$ 308,269</u></u>	<u><u>\$ 74,077</u></u>	<u><u>\$ 382,346</u></u>

<u>Accumulated depreciation</u>			
Balance at January 1, 2021	\$ —	\$ 24,496	\$ 24,496
Depreciation expense	—	2,149	2,149
Balance at December 31, 2021	<u><u>\$ —</u></u>	<u><u>\$ 26,645</u></u>	<u><u>\$ 26,645</u></u>
Carrying amounts at December 31, 2021	<u><u>\$ 308,269</u></u>	<u><u>\$ 47,432</u></u>	<u><u>\$ 355,701</u></u>

- 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\$518,729 thousand and NT\$483,666 thousand as of December 31, 2022 and 2021, respectively. The fair value of investment properties was measured using the comparison approach with unobservable inputs (Level 3).

(11) Intangible assets

	2022.12.31	2021.12.31
Computer software	\$ 2,354	\$ 3,932
Other intangible assets	8,223	10,649
Total carrying amounts	<u>\$ 10,577</u>	<u>\$ 14,581</u>

Cost	Computer Software	Technology Royalty	Other Intangible Assets	Goodwill	Total
Balance at January 1, 2022	\$ 44,702	\$ —	\$ 70,101	\$ —	\$ 114,803
Additions	—	—	1,294	—	1,294
Effect of foreign currency exchange differences	—	—	1,506	—	1,506
Balance at December 31, 2022	<u>\$ 44,702</u>	<u>\$ —</u>	<u>\$ 72,901</u>	<u>\$ —</u>	<u>\$ 117,603</u>
Accumulated amortization					
Balance at January 1, 2022	\$ 40,770	\$ —	\$ 59,452	\$ —	\$ 100,222
Amortization expense	1,578	—	3,888	—	5,466
Effect of foreign currency exchange differences	—	—	1,338	—	1,338
Balance at December 31, 2022	<u>\$ 42,348</u>	<u>\$ —</u>	<u>\$ 64,678</u>	<u>\$ —</u>	<u>\$ 107,026</u>
Carrying amounts at December 31, 2022	<u>\$ 2,354</u>	<u>\$ —</u>	<u>\$ 8,223</u>	<u>\$ —</u>	<u>\$ 10,577</u>
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	<u>\$ 44,702</u>	<u>\$ —</u>	<u>\$ 70,101</u>	<u>\$ —</u>	<u>\$ 114,803</u>
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	<u>\$ 40,770</u>	<u>\$ —</u>	<u>\$ 59,452</u>	<u>\$ —</u>	<u>\$ 100,222</u>
Carrying amounts at December 31, 2021	<u>\$ 3,932</u>	<u>\$ —</u>	<u>\$ 10,649</u>	<u>\$ —</u>	<u>\$ 14,581</u>

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

	2022.12.31	2021.12.31
Golf club card	\$ 12,847	\$ 12,847
Others	1,174	352
Less: Accumulated impairment	(3,099)	(3,099)
Total	<u>\$ 10,922</u>	<u>\$ 10,100</u>
Current	\$ 1,174	\$ 352
Non-current	9,748	9,748
Total	<u>\$ 10,922</u>	<u>\$ 10,100</u>

(13) Short-term loans

	2022.12.31	2021.12.31
Purchase loans	\$ —	\$ 48,353
Unsecured loans	1,418,655	992,654
Secured loans	854,000	858,337
	<u>\$ 2,272,655</u>	<u>\$ 1,899,344</u>
Annual interest rate	<u>1.40%~3.00%</u>	<u>0%~3.00%</u>

(14) Provisions

Warranty provision	2022	2021
Balance, beginning of the year	\$ 12,100	\$ 12,100
Provisions recognized	4,632	2,591
Utilized	(4,632)	(2,591)
Balance, end of the year	<u>\$ 12,100</u>	<u>\$ 12,100</u>

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

(15) Long-term loans

Bank	Loan period and repayment term	2022.12.31		2021.12.31	
		Interest (%)	Amount	Interest (%)	Amount
Taiwan	2020.12.24 ~ 2029.12.24	—	\$ —	1.40	\$ 47,000
Cooperative Bank	2021.10.25 ~ 2029.12.24	—	—	1.40	103,000
	2022.12.30 ~ 2029.12.30	1.901	150,000	—	—
Popolare di bari	2018.2.27~2026.1.31; principal is payable in monthly installments	4.75	3,594	4.75	6,793
Popolare di bari	2020.9.15~2026.9.30; principal is payable in monthly installments commencing 2022.10.30	3.00	6,165	3.00	5,905

		2022.12.31		2021.12.31	
		Interest (%)	Amount	Interest (%)	Amount
Bank	Loan period and repayment term				
Banco BPM	2020.7.27~2025.5.27; principal is payable in monthly installments commencing 2022.6.27	1.275	662	1.275	634
Banco BPM	2022.5.27~2024.5.27; principal is payable in monthly installments	1.60	4,207	—	—
E.Sun Commercial Bank	2021.3.5~2041.3.5; principal is payable in monthly installments	1.70	55,494	1.15	58,151
Subtotal			<u>220,122</u>		<u>221,483</u>
Less: Current portion of long-term loans			<u>(8,394 )</u>		<u>(5,025 )</u>
Total			<u>\$ 211,728</u>		<u>216,458</u>

## (16) Retirement benefit plans

### a. Defined contribution plans

The Company and domestic subsidiaries adopted a pension plan under the R.O.C. Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages. For employee benefit expenses under the defined contribution plan for the years ended December 31, 2022 and 2021, please refer to Note 6(23).

### b. Defined benefit plans

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



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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Present value of defined benefit obligation	\$ (432,756)	\$ (447,669)
Fair value of plan assets	<u>416,087</u>	<u>388,819</u>
Net defined benefit liabilities	<u>\$ (16,669)</u>	<u>\$ (58,850)</u>
Accounted for as net defined benefit liabilities	<u>\$ (18,840)</u>	<u>\$ (60,191)</u>
Accounted for as net defined benefit assets	<u>\$ 2,171</u>	<u>\$ 1,341</u>

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

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 447,669	\$ 476,502
Current service cost	520	877
Interest expense	2,689	1,402
Remeasurement		
Actuarial gain - changes in financial assumptions	(13,530)	(8,076)
Actuarial loss - experience adjustments	16,759	3,725
Benefits paid	<u>(21,351)</u>	<u>(26,761)</u>
Balance, end of year	<u>\$ 432,756</u>	<u>\$ 447,669</u>

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

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 388,819	\$ 387,731
Interest revenue	2,385	1,167
Remeasurement		
Return on plan assets (excluding amounts included in net interest expense)	30,607	5,772
Contributions from employer	15,627	20,910
Benefits paid	<u>(21,351)</u>	<u>(26,761)</u>
Balance, end of year	<u>\$ 416,087</u>	<u>\$ 388,819</u>

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

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

	<u>2022</u>	<u>2021</u>
Current service cost	\$ 520	\$ 877
Net interest expense	<u>304</u>	<u>235</u>
Total	<u>\$ 824</u>	<u>\$ 1,112</u>

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

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

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

	<u>Measurement Date</u>	
	<u>2022.12.31</u>	<u>2021.12.31</u>
Discount rate	1.2%~1.3%	0.6%~0.7%
Expected rate of salary increase	0.5%~3.0%	0.5%~3.0%

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Discount rates		
0.1 % increase	\$ (2,189)	\$ (2,562)
0.1 % decrease	2,210	2,592
Expected rate of salary increase		
0.1 % increase	\$ 1,818	\$ 2,157
0.1 % decrease	(1,803)	(2,135)
	<u>2022.12.31</u>	<u>2021.12.31</u>
The expected contributions to the plan for the next year	\$15,540	\$17,320
The average duration of the defined benefit obligation	4.9~9.1 years	5.3~8.3 years

## (17) Equity

### a. Ordinary shares

	<u>2022.12.31</u>	<u>2021.12.31</u>
Authorized share capital	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>
Issued share capital	<u>\$ 2,397,430</u>	<u>\$ 2,283,267</u>

The par value is NT\$10 dollars.

The capitalization of retained earnings of NT\$114,163 thousand and issuance of 11,416 thousand shares have been approved in the stockholders' meeting on June 21, 2022. The ex-right date was September 4, 2022 and the stock issuance date was September 30, 2022.

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 was September 5, 2021 and the stock issuance date was September 30, 2021.

### b. Capital surplus

	<u>2022.12.31</u>	<u>2021.12.31</u>
From the issuance of ordinary shares	\$ 58,393	\$ 58,393
From treasury stock transactions	12,427	10,415
From difference between consideration and carrying amount arising from actual acquisition or disposal of subsidiaries	610	610
From donations	1,609	1,613
	<u>\$ 73,039</u>	<u>\$ 71,031</u>

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

### c. Retained Earnings and Dividend Policy

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

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

- ② Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.
- ③ Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. For any subsequent reversal of the deduction in other shareholders' equity, the appropriate amount of earnings distribution should be reversed from the net debit balance.
- ④ The appropriations of earnings for 2021 and 2020 approved in the shareholders' general meetings on June 21, 2022 and July 13, 2021, respectively.

The appropriations of 2021 and 2020 earnings were as follows:

	<u>2021</u>	<u>2020</u>
Legal reserve	\$ 37,549	\$ 34,354
Cash dividends (NT\$0.75 and NT\$0.70 per share for 2021 and 2020, respectively.)	171,245	152,217
Stock dividends (NT\$0.5 per share for 2021 and 2020)	<u>114,163</u>	<u>108,727</u>
	<u><u>\$ 322,957</u></u>	<u><u>\$ 295,298</u></u>

The appropriations of earnings for 2022 were proposed by the Company's board of directors on March 14, 2023 as follows:

	<u>2022</u>
Legal reserve	\$ 54,289
Cash dividends (NT\$1.00 per share)	239,743
Stock dividends (NT\$0.30 per share)	<u>71,923</u>
	<u><u>\$ 365,955</u></u>

The appropriations of 2022 earnings are subject to the resolution of the shareholders' meeting to be held on June 21, 2023.

d. Special reserves

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 451,387	\$ 452,190
Reversal:		
Depreciation expense on investment properties	<u>(803)</u>	<u>(803)</u>
Balance, end of year	<u><u>\$ 450,584</u></u>	<u><u>\$ 451,387</u></u>

f. Non-controlling interests

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 72,998	\$ 66,189
Attributable to non-controlling interests		
Net income	17,049	6,887
Exchange differences on translating foreign operation	1,204	12
Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	(1,122)	1,681
Remeasurement of defined benefit plans	110	(11)
Cash dividends distributed by subsidiaries	(12,051)	(1,253)
Cash dividends distributed to subsidiaries	2	1
Changes in ownership interests in subsidiaries	10,253	(508)
Balance, end of year	<u>\$ 88,443</u>	<u>\$ 72,998</u>

g. Treasury stock

	(In thousands of shares)	
	<u>2022.12.31</u>	<u>2021.12.31</u>
Shares held by the subsidiaries	<u>2,817</u>	<u>2,683</u>

The Company's shares held by the subsidiary, Yishun Investment Co., Ltd., are accounted for as treasury stock. As of December 31, 2022 and 2021, the book value of treasury stock were NT\$41,616 thousand; the market value of treasury stock were NT\$82,684 thousand and NT\$69,759 thousand, respectively.

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

(18) Operating revenue

	<u>2022</u>	<u>2021</u>
Revenue from sale of goods	\$ 6,209,316	\$ 4,637,608
Construction contract revenue	1,477,122	1,023,347
Other operating revenue	22,714	20,674
	<u>\$ 7,709,152</u>	<u>\$ 5,681,629</u>

(19) Operating cost

	<u>2022</u>	<u>2021</u>
Cost of goods sold	\$ 5,137,864	\$ 3,797,712
Construction contract cost	1,268,810	897,077
Other operating cost	12,314	10,639
	<u>\$ 6,418,988</u>	<u>\$ 4,705,428</u>

(20) Other income

	<u>2022</u>	<u>2021</u>
Interest income		
Bank deposits	\$ 1,477	\$ 386
Others	2,548	2,857
Rental income	13,128	13,481
Dividend Income	4,207	2,895
Others	6,964	6,708
	<u>\$ 28,324</u>	<u>\$ 26,327</u>

(21) Other gains and losses

	<u>2022</u>	<u>2021</u>
Net foreign exchange gain	\$ 20,075	\$ 1,211
Net gain on financial instruments at fair value through profit or loss	10,658	1,482
Net loss on disposal of property, plant and equipment	(50)	(685)
Loss on disposals of investments	—	(692)
Depreciation on investment properties	(2,149)	(2,149)
Impairment loss	—	(12,667)
Other losses	(3,352)	(58)
	<u>\$ 25,182</u>	<u>\$ (13,558)</u>

(22) Finance costs

	<u>2022</u>	<u>2021</u>
Interest on bank loans	\$ 28,779	\$ 13,693
Interest on lease liabilities	96	168
Others	37	36
	<u>\$ 28,912</u>	<u>\$ 13,897</u>

(23) Additional information of expenses by nature

Net income included the following items:

	<u>2022</u>	<u>2021</u>
Depreciation and amortization expense		
Depreciation on property, plant and equipment	\$ 44,288	\$ 38,157
Depreciation on right-of-use assets	4,187	4,838
Depreciation on investment properties	2,149	2,149
Amortization on intangible assets	5,466	5,662
Total	<u>\$ 56,090</u>	<u>\$ 50,806</u>

Operating expenses directly related to investment properties:

	<u>2022</u>	<u>2021</u>
Direct operating expenses of investment properties that generated rental income	\$ 1,198	\$ 1,197
Direct operating expenses of investment properties that did not generate rental income	5	9
Total	<u>\$ 1,203</u>	<u>\$ 1,206</u>
Research and development costs expensed as incurred	<u>\$ 125,220</u>	<u>\$ 100,143</u>

	<u>2022</u>	<u>2021</u>
Employee benefits expense		
Post-employment benefits (Note 6(16))		
Defined contribution plans	\$ 23,310	\$ 21,646
Defined benefit plans	<u>824</u>	<u>1,112</u>
Subtotal	24,134	22,758
Salaries and bonus expense	737,873	623,148
Insurance expense	58,394	52,836
Others	<u>30,030</u>	<u>26,987</u>
Total	<u>\$ 850,431</u>	<u>\$ 725,729</u>

According to Articles of Incorporation, the Company accrued employees' compensation and remuneration of directors at the rates of 4% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Employees' compensation	\$ 24,063	\$ 17,325
Remuneration of directors	<u>12,031</u>	<u>8,662</u>
	<u>\$ 36,094</u>	<u>\$ 25,987</u>

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2021.

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

(24) Income taxes

a. Income tax expense recognized in profit or loss

① Major components of income tax expense :

	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current year	\$ 89,710	\$ 63,826
Adjustments for prior years	<u>(14,918)</u>	<u>219</u>
Subtotal	<u>74,792</u>	<u>64,045</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(8,476)</u>	<u>(4,218)</u>
Income tax expense	<u>\$ 66,316</u>	<u>\$ 59,827</u>

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

	<u>2022</u>	<u>2021</u>
Income before tax	<u>\$ 592,196</u>	<u>\$ 428,235</u>
Income tax expense calculated at the statutory rate	\$ 136,727	\$ 95,861
Tax effect of adjusting items:		
Tax-exempt income	(1,243)	(1,518)
Investment gain (loss)	3,447	(9,395)
Nondeductible items in determining taxable income	1,990	255
Origination and reversal of temporary differences	(34,547)	(9,316)
Income tax on unappropriated earnings	55	—
Loss carryforwards	(5,822)	(4,274)
Investment tax credit	(10,897)	(7,787)
Adjustments for prior years	<u>(14,918)</u>	<u>219</u>
Current tax	<u>74,792</u>	<u>64,045</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(8,476)</u>	<u>(4,218)</u>
Income tax expense	<u>\$ 66,316</u>	<u>\$ 59,827</u>

③ Income tax recognized in other comprehensive income

	<u>2022</u>	<u>2021</u>
Deferred income tax expense		
Related to remeasurement of defined benefit obligation	<u>\$ (164)</u>	<u>\$ 16</u>

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

b. Deferred tax assets



The movements of deferred tax assets were as follows:

2022

<u>Deferred tax assets</u>	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income (Loss)</u>	<u>Effect of Foreign Currency Exchange Differences</u>	<u>Closing Balance</u>
Temporary differences					
Allowance for inventory loss	\$ 10,266	\$ 4,008	\$ —	\$ —	\$ 14,274
Payable for annual leave	4,600	267	—	—	4,867
Unrealized exchange losses (gains)	978	(1,366)	—	—	(388)
Others	5,956	5,569	—	181	11,706
<b>Total</b>	<b>\$ 21,800</b>	<b>\$ 8,478</b>	<b>\$ —</b>	<b>\$ 181</b>	<b>\$ 30,459</b>

<u>Deferred tax liabilities</u>	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income (Loss)</u>	<u>Effect of Foreign Currency Exchange Differences</u>	<u>Closing Balance</u>
Land value increment tax	\$ (174,220)	\$ —	\$ —	\$ —	\$ (174,220)
Others	(266)	(2)	(164)	—	(432)
<b>Total</b>	<b>\$ (174,486)</b>	<b>\$ (2)</b>	<b>\$ (164)</b>	<b>\$ —</b>	<b>\$ (174,652)</b>

2021

<u>Deferred tax assets</u>	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income (Loss)</u>	<u>Effect of Foreign Currency Exchange Differences</u>	<u>Closing Balance</u>
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
<b>Total</b>	<b>\$ 17,605</b>	<b>\$ 4,218</b>	<b>\$ —</b>	<b>\$ (23)</b>	<b>\$ 21,800</b>

<u>Deferred tax liabilities</u>	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income (Loss)</u>	<u>Effect of Foreign Currency Exchange Differences</u>	<u>Closing Balance</u>
Land value increment tax	\$ (174,220)	\$ —	\$ —	\$ —	\$ (174,220)
Others	(282)	—	16	—	(266)
<b>Total</b>	<b>\$ (174,502)</b>	<b>\$ —</b>	<b>\$ 16</b>	<b>\$ —</b>	<b>\$ (174,486)</b>

c. Information about loss carryforwards

As of December 31, 2022, unused loss carryforwards and expiry year were as follows:

<u>Unused Amount</u>	<u>Expiry Year</u>
\$ 3,391	2025
14,081	2026
12,546	2028
15,956	2029
6,061	2030
4,165	2031
<u>\$ 56,200</u>	

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Loss carryforwards	\$ 56,200	\$ 72,392
Deductible temporary differences	<u>49,434</u>	<u>70,805</u>
Total	<u>\$ 105,634</u>	<u>\$ 143,197</u>

e. Income tax assessments

The income tax returns of the Company, Air King Industrial Co., Ltd., Allis Communications Co., Ltd., Ares Technology Co., Ltd., and Yishun Investment Co., Ltd. through 2020 have been assessed by the tax authority.

(25) Earnings per share

	<u>2022</u>	<u>2021</u>
Basic earnings per share (NT\$)	<u>\$ 2.15</u>	<u>\$ 1.53</u>

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

	<u>2022</u>	<u>2021</u>
Net income for the year attributable to owners of the Company	<u>\$ 508,831</u>	<u>\$ 361,521</u>
Weighted average number of ordinary shares in computation of basic earnings per share ( in thousands of shares)	<u>236,926</u>	<u>236,926</u>

Retroactive adjustments were applied to the Company's basic earnings per share for the years ended December 31, 2022 and 2021.

(26) Non-cash transaction

	<u>2022</u>	<u>2021</u>
Partial cash investing activities:		
Acquisition of property, plant and equipment	\$ 226,147	\$ —
Increase in other payables	<u>(27,119)</u>	<u>—</u>
Cash paid	<u>\$ 199,028</u>	<u>\$ —</u>

(27) Significant lease agreements

a. The Group as lessee

	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases	\$ 22,524	\$ 21,273
Total cash outflow for leases	<u>\$ 26,839</u>	<u>\$ 26,050</u>

b. The Group as lessor

As of December 31, 2022 and 2021, the future lease payments receivable under operating leases of investment properties were as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Not later than 1 year	\$ 11,996	\$ 11,952
1-2 years	8,021	6,495
2-3 years	5,354	5,249
3-4 years	5,406	5,354
4-5 years	5,514	5,406
Later than 5 years	7,424	11,546
Total	<u>\$ 43,715</u>	<u>\$ 46,002</u>

(28) 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.

(29) 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:

	2022.12.31			
	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL</b>				
Convertible Bond	\$ 540	\$ —	\$ —	\$ 540
Foreign exchange contracts	—	1,883	—	1,883
<b>Total</b>	<b>\$ 540</b>	<b>\$ 1,883</b>	<b>\$ —</b>	<b>\$ 2,423</b>
<b>Financial assets at FVTOCI</b>				
Listed shares	\$ 25,088	\$ —	\$ —	\$ 25,088
Unlisted shares	—	47,599	220,270	267,869
<b>Total</b>	<b>\$ 25,088</b>	<b>\$ 47,599</b>	<b>\$ 220,270</b>	<b>\$ 292,957</b>
	2021.12.31			
	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL</b>				
Convertible Bond	\$ 800	\$ —	\$ —	\$ 800
<b>Total</b>	<b>\$ 800</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 800</b>
<b>Financial assets at FVTOCI</b>				
Listed shares	\$ 32,835	\$ —	\$ —	\$ 32,835
Unlisted shares	—	—	307,501	307,501
<b>Total</b>	<b>\$ 32,835</b>	<b>\$ —</b>	<b>\$ 307,501</b>	<b>\$ 340,336</b>
<b>Financial liabilities at FVTPL</b>				
	\$ —	\$ 442	\$ —	\$ 442

There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021.

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

	Financial assets at FVTOCI	
	2022	2021
Balance, beginning of the year	\$ 307,501	\$ 247,813
Acquisition of financial assets at FVTOCI	37,995	8,112
Disposal of financial assets at FVTOCI	(10,768)	(692)
Transfer from Level 3	(47,599)	—
Accounted for unrealized gains (losses) from investments in equity instruments measured at FVTOCI	(66,859)	52,327
Effects of foreign currency exchange differences	—	(59)
<b>Balance, end of the year</b>	<b>\$ 220,270</b>	<b>\$ 307,501</b>

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

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

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

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

b. Categories of financial instruments

Financial assets	2022.12.31	2021.12.31
FVTPL	\$ 2,423	800
FVTOCI	292,957	340,336
Amortized cost (Note)	4,510,073	3,794,763
Total	\$ 4,805,453	\$ 4,135,899

Financial liabilities	2022.12.31	2021.12.31
Amortized cost		
Short-term loans	\$ 2,272,655	\$ 1,899,344
Notes and accounts payable	2,256,244	1,640,833
Other payables	415,565	257,123
Current tax liabilities	53,997	52,387
Long-term loans	220,122	221,483
Lease liabilities	5,168	9,313
Guarantee deposits	3,369	3,408
FVTPL	—	442
	\$ 5,227,120	\$ 4,084,333

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):

	2022.12.31					
	Foreign Currencies	Exchange Rate	Carrying Amounts (NTD)	Sensitivity Analysis		
				Variations	Impact on Profit (loss)	Impact on Equity
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 13,713	30.725	421,332	±10%	±42,133	±42,133
EUR	3,872	32.76	126,847	±10%	±12,685	±12,685
JPY	16,482	0.2321	3,825	±10%	±383	±383
SGD	6,428	22.87	147,008	±10%	±14,701	±14,701
ZAR	5,850	1.809	10,583	±10%	±1,058	±1,058
RMB	41,780	4.411	184,292	±10%	±18,429	±18,429
AUD	2	20.78	42	±10%	±4	±4
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	4,774	30.725	146,681	±10%	〒14,668	〒14,668
JPY	6,452	0.2321	1,498	±10%	〒150	〒150
ZAR	3,529	1.809	6,384	±10%	〒638	〒638
RMB	12,986	4.411	57,281	±10%	〒5,728	〒5,728
EUR	1,974	32.76	64,668	±10%	〒6,467	〒6,467
SGD	172	22.87	3,934	±10%	〒393	〒393

2021.12.31							
Financial assets	Foreign Currencies	Exchange Rate	Carrying Amounts (NTD)	Sensitivity Analysis			
				Variations	Impact on Profit (loss)	Impact on Equity	
<u>Monetary items</u>							
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
<u>Financial liabilities</u>							
<u>Monetary items</u>							
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

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

### ② Interest rate risk

The Group is exposed to interest rate risks related to floating rate short-term and long-term loans. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

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, 2022 and 2021 would decrease/increase by NT\$6,195 thousand and NT\$5,269 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, 2022 and 2021 would have

increased/decreased by NT\$27 thousand and NT\$40 thousand, respectively, 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, 2022 and 2021 would have increased/decreased by NT\$14,648 thousand and NT\$17,017 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, 2022 and 2021, the Group's ten largest customers accounted for 77.77% and 79.40% 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, 2022 and 2021, the amount of unused financing facilities were NT\$2,111,112 thousand and NT\$1,713,683 thousand, respectively.

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



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

	2022.12.31		
	Less than 1 Year	More than 1 Year	Total
<u>Non-derivative financial liabilities</u>			
Short-term loans	\$ 2,272,655	\$ —	\$ 2,272,655
Notes and accounts payable	2,226,002	30,242	2,256,244
Other payables	390,536	25,029	415,565
Current tax liabilities	53,997	—	53,997
Long-term loans	8,394	211,728	220,122
Lease liabilities	3,352	1,816	5,168
Guarantee deposits	67	3,302	3,369
	<u>\$ 4,955,003</u>	<u>\$ 272,117</u>	<u>\$ 5,227,120</u>
	2021.12.31		
	Less than 1 Year	More than 1 Year	Total
<u>Non-derivative financial liabilities</u>			
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
	<u>\$ 3,797,738</u>	<u>\$ 286,153</u>	<u>\$ 4,083,891</u>

② Liquidity risk table for derivative financial liabilities

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

Derivative financial instruments	Less than 1 Year	
	2022.12.31	2021.12.31
Gross settled foreign exchange contract		
Inflows	\$ 85,078	\$ 107,720
Outflows	(83,195)	(108,162)
	<u>\$ 1,883</u>	<u>\$ (442)</u>

## 7. TRANSACTIONS WITH RELATED PARTIES

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

### (1) Names and relationships of related parties

Related Party	Relationship with the Group
Nissin-Allis Electric Co., Ltd.	Associate
Nissin Allis Union Ion Equipment Co., Ltd.	Associate
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
Yong Ming Investment Consultant Co., Ltd.	Related party in substance
Dudu Investments Co., Ltd.	The director of the Company
Herr-Yeh Sung	Key management personnel

### (2) Operating revenue

Line Items	Related Parties Categories	2022	2021
Operating revenue	Associates	\$ 70,495	\$ 50,098
	Others	12,857	15,664
		<u>\$ 83,352</u>	<u>\$ 65,762</u>

### (3) Purchase and factory overhead

Line Items	Related Parties Categories	2022	2021
Purchase and factory overhead	Associates	\$ 256,987	\$ 228,125
	Others	97,954	113,955
		<u>\$ 354,941</u>	<u>\$ 342,080</u>

### (4) Receivables from related parties

Line Items	Related Parties Categories	2022.12.31	2021.12.31
Notes receivable from related parties	Others	<u>\$ 3,504</u>	<u>\$ —</u>
Accounts receivable from related parties	Associates	\$ 29,773	\$ 33,661
	Others	2,271	4,091
		<u>\$ 32,044</u>	<u>\$ 37,752</u>
Other receivables	Associates	<u>\$ 101</u>	<u>\$ 102</u>

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment loss was recognized for

receivables from related parties.

(5) Payable to related parties

Line Items	Related Parties Categories	2022.12.31	2021.12.31
Notes payable	Associates	\$ 296	\$ —
Accounts payable to related parties	Associates	\$ 100,498	\$ 124,304
	Others	29,180	48,152
		<u>\$ 129,678</u>	<u>\$ 172,456</u>
Other payables	Others	<u>\$ 1,593</u>	<u>\$ 795</u>

(6) Others

Line Items	Related Parties Categories	2022	2021
Selling and marketing expenses	Others	<u>\$ 744</u>	<u>\$ 643</u>
Research and development expenses	Others	<u>\$ 45</u>	<u>\$ 72</u>
Other income	Associates	\$ 1,318	\$ 79
	Others	42	18
		<u>\$ 1,360</u>	<u>\$ 97</u>
Contract liability	Associates	<u>2022.12.31</u>	<u>2021.12.31</u>
		\$ —	\$ 315
		6	—
		<u>\$ 6</u>	<u>\$ 315</u>

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

(7) Compensation of key management personnel

	2022	2021
Short-term benefits	\$ 91,837	\$ 72,139
Post-employment benefits	1,147	1,127
	<u>\$ 92,984</u>	<u>\$ 73,266</u>

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

(8) Other

As of December 31, 2022 and 2021, the title of farmland with carrying amounts

of NT\$308 thousand were temporarily registered in the name of Herr-Yeh Sung who had signed an agreement and had pledged the land to the Company. Please refer to Note 6(8).

## 8. PLEDGED ASSETS

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Pledged time deposits (accounted for as other receivables)	\$ 5,072	\$ 5,033
Property, plant and equipment, net	837,825	844,152
Investment properties, net	<u>346,730</u>	<u>348,678</u>
Total	<u><u>\$ 1,189,627</u></u>	<u><u>\$ 1,197,863</u></u>

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2022, significant contingent liabilities and unrecognized commitments of the Group were as follows:

- (1) The guaranteed notes issued were NT\$3,814,838 thousand, including:
  - a. The guaranteed notes issued for bank loans were NT\$3,260,000 thousand.
  - b. The guaranteed notes issued for sales contracts performance guarantees were NT\$554,838 thousand.
- (2) Information related endorsements/guarantees provided, please refer to Table 2 attached.
- (3) Unused letters of credit were USD\$6,954 thousand and JYP58,906 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: Please refer to Table 5 attached.
  - i. Trading in derivative instruments : Please refer to Note 6(2).
  - j. Others: Intercompany relationships and significant intercompany transactions : Please refer to Table 6 attached.
- (2) Information on investees (excluding investee company in mainland China): Please refer to Table 7 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 8 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 6 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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021		
Revenue from external customers	\$ 1,943,636	\$ 1,457,654	\$ 1,014,482	\$ 619,711	\$ 813,768	\$ 830,414	\$ 1,803,255	\$ 1,302,958	\$ 1,465,296	\$ 959,781	\$ 668,715	\$ 511,111	\$ —	\$ —	\$ 7,709,152	\$ 5,681,629
Inter-segment revenue	—	—	—	—	—	—	334,404	204,411	454,137	359,768	44,169	20,436	(832,710)	(584,615)	—	—
Total revenue	\$ 1,943,636	\$ 1,457,654	\$ 1,014,482	\$ 619,711	\$ 813,768	\$ 830,414	\$ 2,137,659	\$ 1,507,369	\$ 1,919,433	\$ 1,319,549	\$ 712,884	\$ 531,547	\$ (832,710)	\$ (584,615)	\$ 7,709,152	\$ 5,681,629
Interest expense	\$ 5,312	\$ 1,695	\$ 2,897	\$ 1,197	\$ 3,622	\$ 1,795	\$ 9,886	\$ 6,394	\$ 6,932	\$ 3,147	\$ 970	\$ 567	\$ (707)	\$ (898)	\$ 28,912	\$ 13,897
Depreciation and amortization expense	\$ 13,580	\$ 10,459	\$ 7,467	\$ 5,939	\$ 11,021	\$ 7,720	\$ 15,990	\$ 16,722	\$ 3,710	\$ 4,338	\$ 2,415	\$ 3,479	\$ (242)	\$ —	\$ 53,941	\$ 48,657
Segment profit or loss	\$ 74,892	\$ 39,186	\$ 100,426	\$ 5,939	\$ 48,159	\$ 121,832	\$ 56,852	\$ 40,334	\$ 89,332	\$ 61,485	\$ 128,876	\$ 118,480	\$ (1,584)	\$ (11,290)	\$ 496,953	\$ 375,966

(2) Geographical information :

	<u>2022</u>	<u>2021</u>
Revenue from external customers		
Geographical areas		
Taiwan	\$ 6,413,036	\$ 4,987,912
Others	<u>1,296,116</u>	<u>693,717</u>
Total	<u>\$ 7,709,152</u>	<u>\$ 5,681,629</u>
	<u>2022.12.31</u>	<u>2021.12.31</u>
Non-current assets		
Geographical areas		
Taiwan	\$ 1,904,652	\$ 1,714,155
Others	<u>10,624</u>	<u>29,365</u>
Total	<u>\$ 1,915,276</u>	<u>\$ 1,743,520</u>

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

(3) Information about major customers:

	<u>2022</u>	<u>2021</u>
Customer A	\$ 696,503	\$ 528,523
Customer B	<u>1,448,267</u>	<u>1,342,232</u>
	<u>\$ 2,144,770</u>	<u>\$ 1,870,755</u>

Allis Electric Co., Ltd. and Subsidiaries  
FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(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	\$ 28,248	\$ 19,971 (Note 1)	\$ 19,971	3.00%	Business Transaction	\$ 225,210	—	\$ —	None	None	\$ 383,136	\$ 766,272
		Zhong Mou Construction Co., Ltd.	Other receivables	\$ 69,189	\$ 59,214	\$ 59,214	1.50%	Short-term Financing	\$ —	Operating capital	\$ —	None	None	\$ 383,136	\$ 766,272

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, 2022**  
(In Thousands of New Taiwan Dollars)

**Table 2**

No	Endorser/ Guarantor	Endorsee/Guaranteee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Amount Actually Drawn	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in the Latest Financial Statements	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relation-shi p (Note 1)										
0	Allis Electric Co., Ltd.	Nissin-Allis Electric Co., Ltd.	f	\$ 1,277,120 (Note 2)	\$ 80,000	\$ 80,000	\$ 53,169	—	2.09%	\$ 1,915,681 (Note 2)	—	—	—
		Ares Technology Co., Ltd.	b		\$ 125,000	\$ 125,000	\$ 74,000	—	3.26%				
		Air King Industrial Co., Ltd.	b		\$ 270,400	\$ 270,400	\$ 218,494	—	7.06%				
		Zhong Mou Construction Co., Ltd.	e		\$ 271,962	\$ 271,962	\$ 271,962	—	7.10%				
1	Air King Industrial Co., Ltd.	Allis Electric (S) Pte. Ltd.	b	\$ 450,000 (Note 3)	\$ 64,105	\$ 64,105	\$ 64,105	—	1.67%	\$ 500,000 (Note 3)	Y	—	—
		Allis Electric Co., Ltd.	c		\$ 27,766	\$ 16,349	\$ 16,349	—	11.24%				

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.

Note 2: 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, 2022  
 (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, 2022				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	47	—	47		
	Stocks of Taiwan High Speed Rail Corporation	—	Financial assets at fair value through other comprehensive income-current	4,000	115	—	115		
	Stocks of Pacific Electric Wire and Cable Co., Ltd.	—	Financial assets at fair value through profit or loss- noncurrent	585	—	—	—		
	Stocks of Prodisse 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	41,494	19.68%	41,494	
	Stocks of Arch Meter Corporation	—	—	Financial assets at fair value through other comprehensive income-noncurrent	1,248,000	47,599	3.98%	47,599	
	Stocks of Tangeng Advanced Vehicles Co., Ltd.	—	—	Financial assets at fair value through other comprehensive income-noncurrent	9,800,777	146,522	14.41%	146,522	
	Stocks of Leadrang Technology Co., Ltd.	—	—	Financial assets at fair value through other comprehensive income-noncurrent	1,000,000	3,110	12.50%	3,110	
	Stocks of ProMOS Technologies Inc.	—	—	Financial assets at fair value through other comprehensive income-noncurrent	133,366	1,788	0.30%	1,788	
	Stocks of Advantage International Green Energy Co., Ltd.	—	—	Financial assets at fair value through other comprehensive income-noncurrent	—	786	1.00%	786	
	Stocks of ChargeSmith Co., Ltd.	—	—	Financial assets at fair value through other comprehensive income-noncurrent	175,759	490	13.49%	490	

Allis Electric Co., Ltd. and Subsidiaries  
MARKETABLE SECURITIES HELD  
(Excluding Investment in Subsidiaries, Associates and Joint Controlled Entities)  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2022				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	540	—	540	
	Stocks of Allis Electric Co., Ltd.	Parent company	Financial assets at fair value through other comprehensive income-current	2,818,877	82,734	1.18%	82,734	Note 1
	Stocks of Taiwan Cement Corporation	—	Financial assets at fair value through other comprehensive income-current	10,999	370	—	370	
	Stocks of Great Wall Enterprise Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	1,138	52	—	52	
	Stocks of Hong Tai Electric Industrial Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	20,000	325	—	325	
	Stocks of China Steel Corporation	—	Financial assets at fair value through other comprehensive income-current	10,000	298	—	298	
	Stocks of Sheng Yu Steel Co., Ltd..	—	Financial assets at fair value through other comprehensive income-current	10,000	245	—	245	
	Stocks of TSRC Corporation	—	Financial assets at fair value through other comprehensive income-current	10,000	270	—	270	
	Stocks of IKKA Holdings (Cayman) Limited	—	Financial assets at fair value through other comprehensive income-current	10,000	716	—	716	
	Stocks of United Microelectronics Corporation	—	Financial assets at fair value through other comprehensive income-current	50,000	2,035	—	2,035	
	Stocks of Yageo Corporation	—	Financial assets at fair value through other comprehensive income-current	1,591	718	—	718	
	Stocks of Taiwan Semiconductor Manufacturing Company Limited	—	Financial assets at fair value through other comprehensive income-current	10,000	4,485	—	4,485	

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, 2022  
 (In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2022				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value	
Yishun Investment Co., Ltd.	Stocks of Macronix International Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	40,000	1,350	—	1,350	
	Stocks of Giga-byte Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	3,000	320	—	320	
	Stocks of United Integrated Services Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	8,000	1,464	—	1,464	
	Stocks of King Yuan Electronics Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	10,000	362	—	362	
	Stocks of Elan Microelectronics Corp.	—	Financial assets at fair value through other comprehensive income-current	10,000	860	—	860	
	Stock of Walsin Technology Corp.	—	Financial assets at fair value through other comprehensive income-current	5,000	395	—	395	
	Stocks of Evergreen Marine Corp. (Taiwan) Ltd.	—	Financial assets at fair value through other comprehensive income-current	4,000	652	—	652	
	Stock of Yang Ming Marine Transport Corporation	—	Financial assets at fair value through other comprehensive income-current	20,000	1,310	—	1,310	
	Stocks of Fubon Financial Holding Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	11,550	650	—	650	
	Stocks of Cathay Financial Holding Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	5,000	200	—	200	
	Stocks of Celxpert Energy Corporation	—	Financial assets at fair value through other comprehensive income-current	10,000	330	—	330	
	Stocks of Xintec Inc.	—	Financial assets at fair value through other comprehensive income-current	10,000	963	—	963	
	Stocks of ASE Technology Holding Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	20,000	1,878	—	1,878	

Allis Electric Co., Ltd. and Subsidiaries  
 MARKETABLE SECURITIES HELD  
 (Excluding Investment in Subsidiaries, Associates and Joint Controlled Entities)  
 DECEMBER 31, 2022  
 (In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2022			Note
				Shares/Units	Carrying Amount	Percentage of Ownership	
Yishun Investment Co., Ltd.	Stock of Fitipower Integrated Technology Inc.	—	Financial assets at fair value through other comprehensive income-current	10,000	1,155	—	1,155
	Stocks of Vanguard International Semiconductor Corp.	—	Financial assets at fair value through other comprehensive income-current	22,000	1,705	—	1,705
	Stocks of Sonix Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	5,000	251	—	251
	Stocks of Hannstar Display Corp.	—	Financial assets at fair value through other comprehensive income-current	10,000	111	—	111
	Stocks of Sigurd Microelectronics Corp.	—	Financial assets at fair value through other comprehensive income-current	30,000	1,456	—	1,456
	Stocks of Watron Technology Corp.	—	Financial assets at fair value through other comprehensive income- noncurrent	822,400	20,848	15.23%	20,848
	Stocks of Watron Technology Corp.	—	Financial assets at fair value through other comprehensive income- noncurrent	206,400	5,232	3.82%	5,232
Allis Communications Company Ltd.							

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, 2022**  
(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	\$ (225,210 )	(2.92%)	210 days	—	—	\$ 119,166	3.29%	Note
	Air King Industrial Co., Ltd.	Subsidiary	Purchase	\$ 438,043	6.55%	115 days	—	—	\$ (181,644)	(8.05%)	Note
	Nissin-Allis Electric Co., Ltd.	Associate	Purchase	\$ 256,222	3.83%	115 days	—	—	\$ (100,498)	(4.45%)	—

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

Allis Electric Co., Ltd.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Table 5

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Allis Electric Co., Ltd.	AEC International S.r.l.	Subsidiary	\$ 119,166	2.31%	—	—	\$ 32,867	\$ 17,269

Allis Electric Co., Ltd. and Subsidiaries  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(In Thousands of New Taiwan Dollars)

Table 6

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	16,094		0.21%
				Purchase	1,270		0.02%
				Construction contract cost	436,773		5.67%
				Accounts receivable	985	(Note 2)	0.01%
				Other receivables	90		0.00%
				Accounts payable	181,644		1.80%
				Other payables	13,892		0.14%
				Revenue from sale of goods	454		0.01%
				Purchase	86,615		1.12%
				Factory overhead	4	(Note 2)	0.00%
				Rental income	154		0.00%
				Accounts payable	32,606		0.32%
				Purchase	94		0.00%
				Research and development expenses	10	(Note 2)	0.00%
Accounts payable	33		0.00%				
Rental income	36	(Note 2)	0.00%				
		Hengyuan Allis Electric Co., Ltd.	a	Revenue from sale of goods	40,977		0.53%
				Purchase	512	(Note 2)	0.01%
				Research and development expenses	131		0.00%
				Accounts receivable	3,167		0.03%
		PHD Powerhouse Distributions (PTY) Ltd.	a	Revenue from sale of goods	20,195	(Note 2)	0.26%
				Accounts receivable	26,546		0.26%



Allis Electric Co., Ltd. and Subsidiaries  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Relationship (Note 1)	Transaction Details			% to Consolidated Total Revenues or Assets
				Financial Statement Accounts	Amount (Note 3)	Payment Terms	
0	Allis Electric Co., Ltd.	AEC International S.r.l.	a	Revenue from sale of goods Purchase Interest income Other receivables Accounts receivable Accounts payable	225,210 1,926 707 19,971 119,166 295	(Note 2)	2.92% 0.02% 0.01% 0.20% 1.18% 0.00%
1	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 INVESTEEES (EXCLUDING INVESTEE COMPANY IN MAINLAND CHINA)  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (In Thousands of New Taiwan Dollars)

Table 7

Investor Company	Investee Company	Location	Principle Businesses Activities	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Shares	%	Carrying Amount			
Allis Electric Co., Ltd.	Air King Industrial Co., Ltd.	Taipei, Taiwan	Design and installation of electrical equipment	\$ 28,458	\$ 28,458	5,101,701	83.12%	\$ 113,072	\$ 56,619	Note 2	
	Nissin-Allis Electric Co., Ltd.	Taoyuan, Taiwan	Manufacturing of SF6 capacitor and GIS	90,000	90,000	9,000,000	30.00%	250,109	55,310	—	
	Ares Technology Co., Ltd.	New Taipei City, Taiwan	Manufacturing of UPS	75,560	75,560	6,800,000	100.00%	68,200	3,493	Note 2	
	Allis Communications Co., Ltd.	New Taipei City, Taiwan	Manufacturing of GPS antennas	86,909	86,909	4,958,380	82.64%	62,507	10,566	Note 2	
	Yishun Investment CO., LTD.	Taipei, Taiwan	Investment and holding	179,900	179,900	17,990,000	99.94%	103,400	1,771	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%	92,715	15,339	—	
	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%	10,433	2,275	Note 2	
	AEC International S.r.l.	Italy	Selling of electrical equipment	66,444	62,771	420,000	70.00%	17,682	10,881	Note 2	
	Intelicis Corporation	Santa Clara, U.S.	Developing of radio frequency products	49,301	49,301	1,875,500	29.16%	—	—	—	
	Allis Electric (S) Pte. Ltd.	Singapore	Selling of electrical equipment	65,353	—	3,000,000	100.00%	64,111	(4,449)	Note 2	

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, 2022  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Table 8

Investee Company	Principle Businesses Activities	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	Ownership of Direct or Indirect Investment	Share of Profit (Loss) (Note)	Carrying Amount as of December 31, 2022 (Note)	Accumulated Repatriation of Investment Income as of December 31, 2022 (USD\$39)
					Outward	Inward						
Hengyuan Allis Electric Co., Ltd.	Selling of electrical equipment	USD 3,400	Direct investment	\$ 67,781 (USD2,121)	\$ —	17,234 (USD539)	50,547 (USD1,582)	6,612	65.38%	4,323	74,183	17,234 (USD539)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 106,207 (USD3,266)	\$ 206,102(USD 6,411)	2,298,817

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.

**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 parent company only financial statements of Allis Electric Co., Ltd., which comprise the parent company only balance sheets as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 Standards on Auditing of 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, 2022. 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, 2022 are as follows:

**Revenue Recognition**

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

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

We have obtained understanding and have verified the accounting policy and the design and implementation of internal controls with respect to revenue recognition. We checked the

compliance with the accounting policy on revenue recognition by reviewing the relevant documents. For ensuring Allis Electric Ltd.'s compliance with IFRS 15, samples from the recognized revenue have been selected to test if the conditions of revenue recognition were met.

#### Estimated Impairment of Accounts Receivable

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

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

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

#### **Other Matter**

We did not audit the financial statements of certain investee companies as of and for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, the aforementioned investment accounted for using equity method were NT\$435,050 thousand and NT\$332,930 thousand, respectively, which represented 4.56% and 4.21%, respectively, of the total assets. Allis Electric Ltd.'s share of comprehensive income or loss of such investee companies were NT\$82,180 thousand and NT\$44,411 thousand for the years ended December 31, 2022 and 2021, respectively, which represented 17.55% and 10.46%, 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 Standards on Auditing of 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 Standards on Auditing of 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, 2022 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 Yu-Ling Hung and Min-Chih Chuo.

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

March 14, 2023

#### 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 STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Notes	2022		2021		
		Amount	%	Amount	%	
4000	OPERATING REVENUE	Note 4, 6 and 7	\$ 7,185,438	100.00	\$ 5,390,995	100.00
5000	OPERATING COST	Note 6 and 7	6,171,307	85.89	4,581,055	84.98
5900	GROSS PROFIT		1,014,131	14.11	809,940	15.02
5910	LESS: UNREALIZED GROSS PROFIT ON SALES		1,364	0.02	4,704	0.09
5950	NET GROSS PROFIT		1,012,767	14.09	805,236	14.93
	OPERATING EXPENSES					
6100	Selling and marketing expenses	Note 7	337,485	4.69	251,177	4.66
6200	General and administrative expenses		176,539	2.46	135,598	2.51
6300	Research and development expenses	Note 7	114,317	1.59	89,477	1.66
6450	Expected credit impairment loss		8,472	0.12	7,007	0.13
6000	Total operating expenses		636,813	8.86	483,259	8.96
6900	OPERATING INCOME		375,954	5.23	321,977	5.97
	NON-OPERATING INCOME AND EXPENSES					
7010	Other income	Note 6 and 7	23,220	0.32	23,286	0.43
7020	Other gains and losses	Note 6	34,317	0.48	(457)	(0.01)
7050	Finance costs	Note 6	(24,144)	(0.33)	(9,973)	(0.19)
7060	Share of profit of subsidiaries and associates accounted for using equity method	Note 4 and 6	156,128	2.17	72,298	1.34
7000	Total non-operating income and expenses		189,521	2.64	85,154	1.57
7900	INCOME BEFORE INCOME TAX		565,475	7.87	407,131	7.54
7950	INCOME TAX EXPENSE	Note 4 and 6	56,644	0.79	45,610	0.84
8200	NET INCOME		508,831	7.08	361,521	6.70
	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	25,931	0.36	10,130	0.20
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	Note 4	(35,328)	(0.49)	16,236	0.30
8330	Share of other comprehensive income of subsidiaries and associates accounted for using equity method		(37,999)	(0.53)	39,379	0.73
	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translating foreign operation		6,067	0.09	(2,465)	(0.05)
8380	Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method		762	0.01	(332)	(0.01)
8300	Other comprehensive income, net		(40,567)	(0.56)	62,948	1.17
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 468,264	6.52	\$ 424,469	7.87
		Note 6				
9750	EARNINGS PER SHARE		\$ 2.15		\$ 1.53	

The accompanying notes are an integral part of the parent company only financial statements.  
(With Earnest & Co., CPAs auditors' report dated March 14, 2023)

Allis Electric Co., Ltd.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Share Capital		Retained Earnings				Other Equity			Total Equity
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operation	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income		
								Treasury Stock	Treasury Stock	
BALANCE, JANUARY 1, 2021	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
Appropriation of the 2021 earnings										
Legal reserve appropriated				37,549		(37,549)				
Cash dividends-NT\$0.75 per share						(171,245)				(171,245)
Stock dividends-NT\$0.50 per share	11,416	114,163				(114,163)				
Net income in 2022						508,831				508,831
Other comprehensive income and loss in 2022, net of income tax						29,165	6,829	(76,561)		(40,567)
Total comprehensive income in 2022						537,996	6,829	(76,561)		468,264
Cash dividends distributed to subsidiaries			2,012							2,012
Changes in ownership interests in subsidiaries										
Disposal of investments in equity instruments at fair value through other comprehensive income						(3,236)				(3,236)
Return of donation from owners						7,322		(7,322)		
Reversal of special reserve										(4)
BALANCE, DECEMBER 31, 2022	239,743	2,397,430	73,039	204,656	450,584	693,356	(6,978)	60,890	(41,616)	3,831,361

The accompanying notes are an integral part of the parent company only financial statements.  
(With Earnest & Co., CPAs auditors' report dated March 14, 2023)

Allis Electric Co., Ltd.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income before income tax	\$ 565,475	\$ 407,131
Adjustments for		
Adjustments to reconcile profit (loss)		
Depreciation expense	45,379	39,229
Amortization expense	3,029	2,923
Expected credit impairment loss	8,472	7,007
Net gain on financial instruments at fair value through profit or loss	(10,918)	(1,187)
Interest expense	24,144	9,973
Interest income	(3,413)	(3,105)
Dividend income	(1,562)	(1,953)
Share of profit of subsidiaries and associates accounted for using equity method	(156,128)	(72,298)
Net loss on disposal of property, plant and equipment	—	481
Unrealized gross profit on sales	1,364	4,704
Changes in operating assets and liabilities		
Increase in contract assets	(65,309)	(130,924)
Increase in notes receivable	(17,332)	(38,536)
Decrease (increase) in notes receivable from related parties	(3,504)	613
Increase in accounts receivable	(306,546)	(1,132,752)
Increase in accounts receivable from related parties	(46,279)	(68,059)
Decrease in other receivables	13,310	101,325
Increase in inventories	(750,343)	(481,475)
Decrease (increase) in prepayments	8,932	(32,192)
Decrease (increase) in other current assets	(17)	175
Changes in financial instruments at fair value through profit or loss	8,593	(146)
Increase in contract liabilities	478,763	41,510
Increase in accounts payable	422,305	411,601
Increase in accounts payable to related parties	17,290	164,120
Increase in other payables	121,402	28,213
Decrease in short-term onerous contracts provision	—	(1,571)
Increase in other current liabilities	700	12
Decrease in net defined benefit liabilities	(14,519)	(14,353)
Cash inflow (outflow) generated from (used in) operations	343,288	(759,534)
Income tax paid	(57,932)	(38,015)
Net cash generated from (used in) operating activities	285,356	(797,549)

Allis Electric Co., Ltd.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of financial assets at fair value through other comprehensive income	\$ (37,995)	(8,112)
Disposal of financial assets at fair value through other comprehensive income	10,768	—
Acquisition of investments accounted for using equity method	(69,026)	(14,997)
Acquisition of property, plant and equipment	(196,966)	(235,890)
Acquisition of intangible assets	(1,044)	(2,638)
Decrease (increase) in prepayments for equipment	4,999	(5,719)
Increase in refundable deposits	(56,047)	(25,644)
Decrease (increase) in other receivables	6,801	(49,456)
Interest received	3,736	2,986
Cash dividend received	82,696	38,524
Net cash flows used in investing activities	(252,078)	(300,946)
CASH FLOWS FROM FINANCING ACTIVITIES :		
Increase in short-term loans	12,169,221	7,707,728
Decrease in short-term loans	(11,860,574)	(6,724,375)
Increase (decrease) in guarantee deposits	72	(1)
Repayment of the principal portion of lease liabilities	(2,698)	(2,827)
Increase in long-term loans	—	103,000
Interest paid	(23,382)	(9,672)
Cash dividends paid	(171,245)	(152,217)
Others	(4)	(139)
Net cash flows generated from financing activities	111,390	921,497
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	144,668	(176,998)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	278,868	455,866
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 423,536	\$ 278,868

The accompanying notes are an integral part of the parent company only financial statements.  
(With Earnest & Co., CPAs auditors' report dated March 14, 2023)

Allis Electric Co., Ltd.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(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 14, 2023.

**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 2023

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

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
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
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback ”	January 1, 2024
IFRS 17 “Insurance Contracts”	January 1, 2023

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9- Comparative Information ”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (1) Statement of compliance

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

##### (2) Basis of preparation

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

##### (3) Foreign currencies

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

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

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

For the purpose of presenting parent company only financial statements, the assets and liabilities of the Company’s foreign operations are translated into the New Taiwan

dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

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

Current assets include:

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

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting period and before the parent company only financial statements are authorized for issue; and
- c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

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

#### (5) Cash and cash equivalents

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

#### (6) Financial instruments

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

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

#### Financial assets

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

a. Measurement categories

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

① Financial assets at FVTPL

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

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

② Financial assets at amortized cost

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

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

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

③ Investments in equity instruments at FVTOCI

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

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

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



## b. Impairment of financial assets

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

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

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

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

## c. Derecognition of financial assets

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

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

### Equity instruments

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

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

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

### Financial liabilities

a. Subsequent measurement

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

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

b. Derecognition of financial liabilities

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

Derivative financial instruments

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

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

(7) Inventories

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

(8) Investments accounted for using equity method

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

a. Investment in subsidiaries

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

Under the equity method, investments in a subsidiary are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognizes the changes in the Company's share of equity of subsidiaries. When the Company's share of losses of an subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

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

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

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

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

#### (16) Revenue Recognition

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

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

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

##### b. Construction contract revenue

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

#### (17) Taxation

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

##### a. Current tax

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

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

##### b. Deferred tax

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

Deferred tax liabilities are recognized for taxable temporary differences associated

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

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

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

#### c. Current and deferred tax

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

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

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

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

### Estimated impairment of accounts receivables

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

As of December 31, 2022 and 2021, the carrying amounts of accounts receivable were NT\$3,357,061 thousand and NT\$3,012,604 thousand, respectively.



## 6. SIGNIFICANT ACCOUNTS DISCLOSURES

### (1) Cash and cash equivalents

	<u>2022.12.31</u>	<u>2021.12.31</u>
Petty cash and cash on hand	\$ 980	\$ 950
Checking accounts and demand deposits	422,556	250,263
Cash equivalents		
Time deposits with original maturities less than one year	—	27,655
Total	<u>\$ 423,536</u>	<u>\$ 278,868</u>

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
<u>Financial liabilities held for trading</u>		
Derivative Instruments:		
Foreign exchange contracts	<u>\$ 1,883</u>	<u>\$ (442)</u>

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

b. Outstanding forward exchange contracts consisted of the following:

	<u>Maturity Date</u>	<u>Contract Amount</u>
<u>2022.12.31</u>		
Sell NTD / Buy USD	2023.03.01-2023.06.02	USD 2,800 /NTD 83,195
<u>2021.12.31</u>		
Sell NTD / Buy USD	2022.01.14-2022.06.01	USD 10,818 /NTD 108,162

Net gain on derivative instruments recognized for the years ended December 31, 2022 and 2021 were NT\$10,918 thousand and NT\$1,187 thousand, respectively.

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Listed shares	\$ 162	\$ 215
Unlisted shares	241,789	249,837
Total	<u>\$ 241,951</u>	<u>\$ 250,052</u>
Current	\$ 162	\$ 215
Non-current	241,789	249,837
Total	<u>\$ 241,951</u>	<u>\$ 250,052</u>

As of December 31, 2022 and 2021, FVTOCI were not pledged as collateral for bank borrowings.

(4) Notes receivable and accounts receivable

	<u>2022.12.31</u>	<u>2021.12.31</u>
Notes receivable	\$ 120,112	\$ 102,780
Less: Allowance for impairment loss	<u>(625)</u>	<u>(521)</u>
Notes receivable, net	<u>\$ 119,487</u>	<u>\$ 102,259</u>
Accounts receivable	\$ 3,267,737	\$ 2,981,209
Less : Unrealized interest income	(19,527)	(15,015)
Allowance for impairment loss	<u>(71,165)</u>	<u>(87,327)</u>
Accounts receivable, net	<u>\$ 3,177,045</u>	<u>\$ 2,878,867</u>
Accounts receivable from related parties	<u>\$ 180,016</u>	<u>\$ 133,737</u>

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

All notes receivable were not past due.

The following table details the loss allowance of accounts receivables:

2022.12.31

	<u>Not Past Due</u>	<u>Past Due 0-3 Months</u>	<u>Past Due 3-6 Months</u>	<u>Past Due 6-9 Months</u>	<u>Past Due 9-12 Months</u>	<u>Past Due 1-2 Years</u>	<u>Past Due Over 2 Years</u>	<u>Total</u>
Gross carrying amount	\$ 2,536,658	\$ 343,594	\$ 257,269	\$ 122,131	\$ 121,662	\$ 38,125	\$ 28,314	\$ 3,447,753
Loss allowance	<u>(30,928)</u>	<u>(9,639)</u>	<u>(2,572)</u>	<u>(4,713)</u>	<u>(3,825)</u>	<u>(8,497)</u>	<u>(10,991)</u>	<u>(71,165)</u>
Amortized cost	<u>\$ 2,505,730</u>	<u>\$ 333,955</u>	<u>\$ 254,697</u>	<u>\$ 117,418</u>	<u>\$ 117,837</u>	<u>\$ 29,628</u>	<u>\$ 17,323</u>	<u>\$ 3,376,588</u>

2021.12.31

	<u>Not Past Due</u>	<u>Past Due 0-3 Months</u>	<u>Past Due 3-6 Months</u>	<u>Past Due 6-9 Months</u>	<u>Past Due 9-12 Months</u>	<u>Past Due 1-2 Years</u>	<u>Past Due Over 2 Years</u>	<u>Total</u>
Gross carrying amount	\$ 2,072,857	\$ 645,185	\$ 162,247	\$ 87,750	\$ 64,324	\$ 38,786	\$ 43,797	\$ 3,114,946
Loss allowance	<u>(35,476)</u>	<u>(6,452)</u>	<u>(1,622)</u>	<u>(877)</u>	<u>(2,822)</u>	<u>(1,683)</u>	<u>(38,395)</u>	<u>(87,327)</u>
Amortized cost	<u>\$ 2,037,381</u>	<u>\$ 638,733</u>	<u>\$ 160,625</u>	<u>\$ 86,873</u>	<u>\$ 61,502</u>	<u>\$ 37,103</u>	<u>\$ 5,402</u>	<u>\$ 3,027,619</u>

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

	<u>2022</u>	<u>2021</u>
Balance, beginning of the year	\$ 87,848	\$ 80,841
Loss allowance recognized	8,472	7,007
Amounts written off	<u>(24,530)</u>	<u>—</u>
Balance, end of the year	<u>\$ 71,790</u>	<u>\$ 87,848</u>

(5) Other receivables, net

	<u>2022.12.31</u>	<u>2021.12.31</u>
Pledged time deposits	\$ 5,072	\$ 5,033
Loan receivable	79,185	85,986
Restricted deposit	17,760	37,798
Others	9,520	3,154
Other receivables, net	<u>\$ 111,537</u>	<u>\$ 131,971</u>
Current	\$ 91,566	\$ 105,699
Non-current	19,971	26,272
Total	<u>\$ 111,537</u>	<u>\$ 131,971</u>

(6) Inventories

	<u>2022.12.31</u>	<u>2021.12.31</u>
Finished goods	\$ 421,623	\$ 335,843
Work-in-process	537,550	435,852
Raw materials	1,177,844	605,526
Inventory in transit	36,583	46,036
Inventories, net	<u>\$ 2,173,600</u>	<u>\$ 1,423,257</u>

For the cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021, please refer to Note 6(19).

For the years ended December 31, 2022 and 2021, write-down of inventories to net realizable value were included in the cost of goods sold as follows:

	<u>2022</u>	<u>2021</u>
Inventory losses	<u>\$ 20,038</u>	<u>\$ 21,958</u>

As of December 31, 2022 and 2021, 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:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Subsidiaries	\$ 513,588	\$ 426,036
Associates	342,824	320,114
	<u>\$ 856,412</u>	<u>\$ 746,150</u>

a. Investments in subsidiaries

Subsidiaries consisted of the following:

Name of Subsidiaries	2022.12.31		2021.12.31	
	% of Ownership	Amount	% of Ownership	Amount
Air King Industrial Co., Ltd.	83.12%	\$ 113,072	83.12%	\$ 70,307
Ares Technology Co., Ltd.	100.00%	68,200	100.00%	64,081
Allis Communications Co., Ltd.	82.64%	62,507	82.64%	57,178
Yishun Investment Co., Ltd.	99.94%	103,400	99.94%	135,613
Hengyuan Allis Electric Co., Ltd.	65.38%	74,183	65.38%	86,041
AEC International S.r.l.	70.00%	17,682	100.00%	4,879
PHD Powerhouse Distributions (PTY) Ltd.	90.00%	10,433	90.00%	7,937
Allis Electric (S) Pte. Ltd.	100.00%	64,111	—	—
Total		<u>\$ 513,588</u>		<u>\$ 426,036</u>

The aforementioned subsidiaries were not listed companies.

Please refer to Table 6 and 7 for the details of the subsidiaries.

b. Investments in associates

Associates consisted of the following:

Name of Associates	2022.12.31		2021.12.31	
	% of Ownership	Amount	% of Ownership	Amount
Nissin-Allis Electric Co., Ltd.	30.00%	\$ 250,109	30.00%	\$ 214,265
Nissin Allis Union Ion Equipment Co., Ltd.	40.00%	92,715	40.00%	105,849
AYM International Corporation	40.00%	—	40.00%	—
Intelicis Corporation	29.16%	—	29.16%	—
Total		<u>\$ 342,824</u>		<u>\$ 320,114</u>

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

Aggregate information of associates that are not individually material:

Equity	2022.12.31	2021.12.31
	<u>\$ 1,071,857</u>	<u>\$ 981,006</u>
	2022	2021
The Company's share of :		
Net income for the year	\$ 70,649	\$ 53,396
Other comprehensive income (loss)	2,823	(835)
Total comprehensive income for the year	<u>\$ 73,472</u>	<u>\$ 52,561</u>

(8) Property, plant and equipment

	2022.12.31		2021.12.31	
Land	\$	579,483	\$	579,483
Buildings		425,007		192,400
Machinery and equipment		68,020		57,323
Transportation equipment		10,259		8,970
Other equipment		53,868		44,927
Construction in progress		222,197		292,219
<b>Total carrying amounts</b>	<b>\$</b>	<b>1,358,834</b>	<b>\$</b>	<b>1,175,322</b>

Cost	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Balance at January 1, 2022	\$ 579,483	\$ 557,637	\$ 422,277	\$ 41,554	\$ 114,507	\$ 292,219	\$ 2,007,677
Additions	—	1,727	24,978	2,963	17,385	177,032	224,085
Disposals	—	—	(2,712)	(468)	(1,307)	—	(4,487)
Internal transfer	—	247,054	—	—	—	(247,054)	—
<b>Balance at December 31, 2022</b>	<b>\$ 579,483</b>	<b>\$ 806,418</b>	<b>\$ 444,543</b>	<b>\$ 44,049</b>	<b>\$ 130,585</b>	<b>\$ 222,197</b>	<b>\$ 2,227,275</b>
<b>Accumulated depreciation</b>							
Balance at January 1, 2022	\$ —	\$ 365,237	\$ 364,954	\$ 32,584	\$ 69,580	\$ —	\$ 832,355
Depreciation expense	—	16,174	14,281	1,674	8,444	—	40,573
Disposals	—	—	(2,712)	(468)	(1,307)	—	(4,487)
<b>Balance at December 31, 2022</b>	<b>\$ —</b>	<b>\$ 381,411</b>	<b>\$ 376,523</b>	<b>\$ 33,790</b>	<b>\$ 76,717</b>	<b>\$ —</b>	<b>\$ 868,441</b>
<b>Carrying amounts at December 31, 2022</b>	<b>\$ 579,483</b>	<b>\$ 425,007</b>	<b>\$ 68,020</b>	<b>\$ 10,259</b>	<b>\$ 53,868</b>	<b>\$ 222,197</b>	<b>\$ 1,358,834</b>

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)
<b>Balance at December 31, 2021</b>	<b>\$ 579,483</b>	<b>\$ 557,637</b>	<b>\$ 422,277</b>	<b>\$ 41,554</b>	<b>\$ 114,507</b>	<b>\$ 292,219</b>	<b>\$ 2,007,677</b>
<b>Accumulated depreciation</b>							
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)
<b>Balance at December 31, 2021</b>	<b>\$ —</b>	<b>\$ 365,237</b>	<b>\$ 364,954</b>	<b>\$ 32,584</b>	<b>\$ 69,580</b>	<b>\$ —</b>	<b>\$ 832,355</b>
<b>Carrying amounts at December 31, 2021</b>	<b>\$ 579,483</b>	<b>\$ 192,400</b>	<b>\$ 57,323</b>	<b>\$ 8,970</b>	<b>\$ 44,927</b>	<b>\$ 292,219</b>	<b>\$ 1,175,322</b>

- 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, 2022 and 2021, capitalized interest were NT\$1,350 thousand and NT\$1,816 thousand, respectively; capitalization rate were 1.26% and 0.98%, respectively.
- d. As of December 31, 2022 and 2021, 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

	2022.12.31		2021.12.31	
Buildings	\$	—	\$	59
Other equipment		3,465		6,063
Total carrying amounts	\$	3,465	\$	6,122

Cost	Buildings	Transportation Equipment	Other Equipment	Total
Balance at January 1, 2022	\$ 761	\$ —	\$ 13,858	\$ 14,619
Additions	—	—	—	—
Decrease	—	—	—	—
Balance at December 31, 2022	\$ 761	\$ —	\$ 13,858	\$ 14,619
Accumulated depreciation				
Balance at January 1, 2022	\$ 702	\$ —	\$ 7,795	\$ 8,497
Depreciation expense	59	—	2,598	2,657
Decrease	—	—	—	—
Balance at December 31, 2022	\$ 761	\$ —	\$ 10,393	\$ 11,154
Carrying amounts at December 31, 2022	\$ —	\$ —	\$ 3,465	\$ 3,465

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

(10) Investment properties

	<u>2022.12.31</u>	<u>2021.12.31</u>
Land	\$ 308,269	\$ 308,269
Buildings	<u>45,283</u>	<u>47,432</u>
Total carrying amounts	<u><u>\$ 353,552</u></u>	<u><u>\$ 355,701</u></u>

<u>Cost</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at January 1, 2022	\$ 308,269	\$ 74,077	\$ 382,346
Additions	—	—	—
Balance at December 31, 2022	<u><u>\$ 308,269</u></u>	<u><u>\$ 74,077</u></u>	<u><u>\$ 382,346</u></u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ —	\$ 26,645	\$ 26,645
Depreciation expense	—	<u>2,149</u>	<u>2,149</u>
Balance at December 31, 2022	<u><u>\$ —</u></u>	<u><u>\$ 28,794</u></u>	<u><u>\$ 28,794</u></u>
Carrying amounts at December 31, 2022	<u><u>\$ 308,269</u></u>	<u><u>\$ 45,283</u></u>	<u><u>\$ 353,552</u></u>

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

- a. The investment properties held by the Company are depreciated on a straight-line basis over the estimated useful lives of 45 to 60 years.
- b. For the carrying amount of investment properties pledged as collateral for bank borrowings, please refer to Note 8.
- c. The fair values of the investment properties owned by the Company were NT\$ 518,729 thousand and NT\$ 483,666 thousand as of December 31, 2022 and 2021, respectively. The fair value of investment properties was measured using the comparison approach with unobservable inputs (Level 3).

(11) Intangible assets

	<u>2022.12.31</u>	<u>2021.12.31</u>
Computer software	\$ 1,520	\$ 2,622
Other intangible assets	<u>4,271</u>	<u>5,154</u>
Total carrying amounts	<u><u>\$ 5,791</u></u>	<u><u>\$ 7,776</u></u>

<u>Cost</u>	<u>Computer Software</u>	<u>Other Intangible Assets</u>	<u>Total</u>
Balance at January 1, 2022	\$ 35,948	\$ 34,631	\$ 70,579
Additions	—	1,044	1,044
Balance at December 31, 2022	<u>\$ 35,948</u>	<u>\$ 35,675</u>	<u>\$ 71,623</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2022	\$ 33,326	\$ 29,477	\$ 62,803
Amortization expense	1,102	1,927	3,029
Balance at December 31, 2022	<u>\$ 34,428</u>	<u>\$ 31,404</u>	<u>\$ 65,832</u>
Carrying amounts at December 31, 2022	<u>\$ 1,520</u>	<u>\$ 4,271</u>	<u>\$ 5,791</u>
<u>Cost</u>			
	<u>Computer Software</u>	<u>Other Intangible Assets</u>	<u>Total</u>
Balance at January 1, 2021	\$ 33,969	\$ 33,972	\$ 67,941
Additions	1,979	659	2,638
Balance at December 31, 2021	<u>\$ 35,948</u>	<u>\$ 34,631</u>	<u>\$ 70,579</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2021	\$ 32,245	\$ 27,635	\$ 59,880
Amortization expense	1,081	1,842	2,923
Balance at December 31, 2021	<u>\$ 33,326</u>	<u>\$ 29,477</u>	<u>\$ 62,803</u>
Carrying amounts at December 31, 2021	<u>\$ 2,622</u>	<u>\$ 5,154</u>	<u>\$ 7,776</u>

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Golf club card	\$ 12,847	\$ 12,847
Others	17	—
Less: Accumulated impairment	<u>(3,099)</u>	<u>(3,099)</u>
Total	<u>\$ 9,765</u>	<u>\$ 9,748</u>
Current	\$ 17	\$ —
Non-current	<u>9,748</u>	<u>9,748</u>
Total	<u>\$ 9,765</u>	<u>\$ 9,748</u>



(13) Short-term loans

	<u>2022.12.31</u>	<u>2021.12.31</u>
Purchase loans	\$ —	\$ 48,353
Unsecured loans	1,227,000	870,000
Secured loans	800,000	800,000
	<u>\$ 2,027,000</u>	<u>\$ 1,718,353</u>
Annual interest rate	<u>1.40%~2.03%</u>	<u>0.82%~1.21%</u>

(14) Provisions

<u>Warranty provision</u>	<u>2022</u>	<u>2021</u>
Balance, beginning of the year	\$ 12,100	\$ 12,100
Provisions recognized	4,632	2,591
Utilized	<u>(4,632)</u>	<u>(2,591)</u>
Balance, end of the year	<u>\$ 12,100</u>	<u>\$ 12,100</u>

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

(15) Long-term loans

Bank	Loan period and repayment term	<u>2022.12.31</u>		<u>2021.12.31</u>	
		Interest (%)	Amount	Interest (%)	Amount
Taiwan Cooperative Bank	2020.12.24 ~ 2029.12.24	—	\$ —	1.40%	\$ 47,000
Taiwan Cooperative Bank	2021.12.25 ~ 2029.12.24	—	—	1.40%	103,000
Taiwan Cooperative Bank	2021.12.30 ~ 2029.12.30	1.901%	150,000	—	—
Less: Current portion of long-term loans			—		—
Total			<u>\$ 150,000</u>		<u>\$ 150,000</u>

(16) Retirement benefit plans

a. Defined contribution plans

The Company adopted a pension plan under the R.O.C. Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages. For employee benefit expenses under the defined contribution plan for the years ended December 31, 2022 and 2021, 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:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Present value of defined benefit obligation	\$ (411,820)	\$ (423,736)
Fair value of plan assets	<u>396,305</u>	<u>367,771</u>
Net defined benefit liabilities	<u>\$ (15,515)</u>	<u>\$ (55,965)</u>

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

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 423,736	\$ 452,930
Current service cost	483	844
Interest expense	2,521	1,331
Remeasurement		
Actuarial gain - changes in financial assumptions	(12,675)	(7,273)
Actuarial loss - experience adjustments	15,843	2,665
Benefits paid	<u>(18,088)</u>	<u>(26,761)</u>
Balance, end of year	<u>\$ 411,820</u>	<u>\$ 423,736</u>

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

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 367,771	\$ 372,482
Interest revenue	2,230	1,113
Remeasurement		
Return on plan assets (excluding amounts included in net interest expense)	29,099	5,522
Contributions from employer	15,293	15,415
Benefits paid	<u>(18,088)</u>	<u>(26,761)</u>
Balance, end of year	<u>\$ 396,305</u>	<u>\$ 367,771</u>

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

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

	<u>2022</u>	<u>2021</u>
Current service cost	\$ 483	\$ 844
Net interest expense	<u>291</u>	<u>218</u>
Total	<u>\$ 774</u>	<u>\$ 1,062</u>

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

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

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

	<u>Measurement Date</u>	
	<u>2022.12.31</u>	<u>2021.12.31</u>
Discount rate	1.2%	0.6%
Expected rate of salary increase	1.8%	1.8%

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Discount rates		
0.1 % increase	\$ (2,031)	\$ (2,367)
0.1 % decrease	2,054	2,395
Expected rate of salary increase		
0.1 % increase	1,683	1,984
0.1 % decrease	(1,668)	(1,965)
	<u>2022.12.31</u>	<u>2021.12.31</u>
The expected contributions to the plan for the next year	\$15,240	\$15,120
The average duration of the defined benefit obligation	4.9 years	5.3 years

(17) Equity

a. Ordinary shares

	<u>2022.12.31</u>	<u>2021.12.31</u>
Authorized share capital	\$ 3,500,000	\$ 3,500,000
Issued share capital	\$ 2,397,430	\$ 2,283,267

The par value is NT\$10 dollars.

The capitalization of retained earnings of NT\$114,163 thousand and issuance of 11,416 thousand shares have been approved in the stockholders' meeting on June 21, 2022. The ex-right date was September 4, 2022 and the stock issuance date was September 30, 2022.

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 was September 5, 2021 and the stock issuance date was September 30, 2021.

b. Capital surplus

	<u>2022.12.31</u>	<u>2021.12.31</u>
From the issuance of ordinary shares	\$ 58,393	\$ 58,393
From treasury stock transactions	12,427	10,415
From difference between consideration and carrying amount arising from actual acquisition or disposal of subsidiaries	610	610
From donations	1,609	1,613
	<u>\$ 73,039</u>	<u>\$ 71,031</u>

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

c. Retained Earnings and Dividend Policy

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

The Company considers its long-term financial planning, future funding requirements, interest of shareholders as well as the amount of capital surplus, retained earnings and profit forecast when determining the stock dividends or cash

dividends to be paid. However, distribution of earnings shall be made preferably by way of cash dividends. Distribution of earnings may also be made by way of stock dividend, provided that the ratio for stock dividends shall not exceed 50% of the total distribution.

- ② Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.
- ③ Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. For any subsequent reversal of the deduction in other shareholders' equity, the appropriate amount of earnings distribution should be reversed from the net debit balance.
- ④ The appropriations of earnings for 2021 and 2020 approved in the shareholders' general meetings on June 21, 2022 and July 13, 2021, respectively.

The appropriations of 2021 and 2020 earnings were as follows:

	2021	2020
Legal reserve	\$ 37,549	\$ 34,354
Cash dividends (NT\$0.75 per share for 2021 and NT\$0.70 per share for 2020)	171,245	152,217
Stock dividends (NT\$0.50 per share for 2021 and 2020)	114,163	108,727
	<u>\$ 322,957</u>	<u>\$ 295,298</u>

The appropriations of earnings for 2022 were proposed by the Company's board of directors on March 14, 2023 as follows:

	2022
Legal reserve	\$ 54,289
Cash dividends (NT\$1.00 per share)	239,743
Stock dividends (NT\$0.30 per share)	71,923
	<u>\$ 365,955</u>

The appropriations of 2022 earnings are subject to the resolution of the shareholders' meeting to be held on June 21, 2023.

d. Special reserves

	2022	2021
Balance, beginning of year	\$ 451,387	\$ 452,190
Reversal:		
Depreciation expense on investment properties	(803)	(803)
Balance, end of year	<u>\$ 450,584</u>	<u>\$ 451,387</u>

e. Treasury stock

(In thousands of shares)

	<u>2022.12.31</u>	<u>2021.12.31</u>
Shares held by the subsidiaries	<u>2,817</u>	<u>2,683</u>

The Company's shares held by the subsidiary, Yishun Investment Co., Ltd., are accounted for as treasury stock. As of December 31, 2022 and 2021, the book value of treasury stock were NT\$41,616 thousand; the market value of treasury stock were NT\$82,684 thousand and \$69,759 thousand, respectively.

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

(18) Operating revenue

	<u>2022</u>	<u>2021</u>
Revenue from sale of goods	\$ 5,873,840	\$ 4,459,364
Construction contract revenue	1,297,020	919,795
Other operating revenue	<u>14,578</u>	<u>11,836</u>
	<u>\$ 7,185,438</u>	<u>\$ 5,390,995</u>

(19) Operating cost

	<u>2022</u>	<u>2021</u>
Cost of goods sold	\$ 4,965,528	\$ 3,726,945
Construction contract cost	1,202,536	852,041
Technical service cost	<u>3,243</u>	<u>2,069</u>
	<u>\$ 6,171,307</u>	<u>\$ 4,581,055</u>

(20) Other income

	<u>2022</u>	<u>2021</u>
Interest income		
Bank deposits	\$ 865	\$ 248
Others	2,548	2,857
Rental income	13,300	12,895
Others	<u>6,507</u>	<u>7,286</u>
	<u>\$ 23,220</u>	<u>\$ 23,286</u>

(21) Other gains and losses

	<u>2022</u>	<u>2021</u>
Net foreign exchange gain	\$ 28,859	\$ 986
Net gain on financial instruments at fair value through profit or loss	10,918	1,187
Net loss on disposal of property, plant and equipment	—	(481)
Depreciation on investment properties	(2,149)	(2,149)
Other losses	<u>(3,311)</u>	<u>—</u>
	<u>\$ 34,317</u>	<u>\$ (457)</u>

(22) Finance costs

	<u>2022</u>	<u>2021</u>
Interest on bank loans	\$ 24,019	\$ 9,796
Interest on lease liabilities	89	141
Others	<u>36</u>	<u>36</u>
	<u>\$ 24,144</u>	<u>\$ 9,973</u>

(23) Additional information of expenses by nature

Net income included the following items:

	<u>2022</u>	<u>2021</u>
Depreciation and amortization expense		
Depreciation on property, plant and equipment	\$ 40,573	\$ 34,248
Depreciation on right-of-use assets	2,657	2,832
Depreciation on investment properties	2,149	2,149
Amortization on intangible assets	<u>3,029</u>	<u>2,923</u>
Total	<u>\$ 48,408</u>	<u>\$ 42,152</u>

Operating expenses directly related to investment properties:

	<u>2022</u>	<u>2021</u>
Direct operating expenses of investment properties that generated rental income	\$ 1,198	\$ 1,197
Direct operating expenses of investment properties that did not generate rental income	<u>5</u>	<u>9</u>
Total	<u>\$ 1,203</u>	<u>\$ 1,206</u>

	<u>2022</u>	<u>2021</u>
Research and development costs expensed as incurred	<u>\$ 114,317</u>	<u>\$ 89,477</u>

	<u>2022</u>	<u>2021</u>
Employee benefits expense		
Post-employment benefits (Note 6(16))		
Defined contribution plans	\$ 20,487	\$ 19,261
Defined benefit plans	<u>774</u>	<u>1,062</u>
Subtotal	21,261	20,323
Salaries and bonus expense	635,849	545,165
Insurance expense	51,309	46,886
Others	<u>27,765</u>	<u>25,295</u>
Total	<u>\$ 736,184</u>	<u>\$ 637,669</u>

According to Articles of Incorporation, the Company accrued employees' compensation and remuneration of directors at the rates of 4% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Employees' compensation	\$ 24,063	\$ 17,325
Remuneration of directors	<u>12,031</u>	<u>8,662</u>
	<u>\$ 36,094</u>	<u>\$ 25,987</u>

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2021.

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

#### (24) Income taxes

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

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

	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current year	\$ 70,416	\$ 48,808
Adjustments for prior years	<u>(10,978)</u>	<u>9</u>
Subtotal	<u>59,438</u>	<u>48,817</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(2,794)</u>	<u>(3,207)</u>
Income tax expense	<u>\$ 56,644</u>	<u>\$ 45,610</u>



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

	2022	2021
Income before tax	\$ 565,475	\$ 407,131
Income tax expense calculated at the statutory rate (20%)	\$ 113,095	\$ 81,426
Tax effect of adjusting items:		
Nondeductible items in determining taxable income	215	221
Tax-exempt income	(312)	(390)
Investment gain (loss)	3,447	(9,395)
Origination and reversal of temporary differences	(35,132)	(15,267)
Investment tax credit	(10,897)	(7,787)
Adjustments for prior years	(10,978)	9
Current tax	59,438	48,817
Deferred tax		
Origination and reversal of temporary differences	(2,794)	(3,207)
Income tax expense	\$ 56,644	\$ 45,610

b. Deferred tax assets

The movements of deferred tax assets were as follows:

	2022.1.1	Recognized in Profit or Loss	2022.12.31
Temporary differences			
Allowance for inventory loss	\$ 10,266	\$ 4,008	\$ 14,274
Unrealized exchange losses (gains)	978	(1,366)	(388)
Payable for annual leave	4,600	267	4,867
Others	4,886	(115)	4,771
	\$ 20,730	\$ 2,794	\$ 23,524
	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

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Deductible temporary differences	<u>\$ 39,641</u>	<u>\$ 60,291</u>

d. The income tax returns of the Company through 2020 have been assessed by the tax authority.

(25) Earnings per share

	<u>2022</u>	<u>2021</u>
Basic earnings per share (NT\$)	<u>\$ 2.15</u>	<u>\$ 1.53</u>

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

	<u>2022</u>	<u>2021</u>
Net income for the year attributable to common shareholders	<u>\$ 508,831</u>	<u>\$ 361,521</u>
Weighted average number of ordinary shares in computation of basic earnings per share ( in thousands of shares)	<u>236,926</u>	<u>236,926</u>

Retroactive adjustments were applied to the Company's basic earnings per share for the years ended December 31, 2022 and 2021.

(26) Non-cash transactions

	<u>2022</u>	<u>2021</u>
Partial cash investing activities:		
Acquisition of property, plant and equipment	\$ 224,085	\$ —
Increase in other payables	(27,119)	—
Cash paid	<u>\$ 196,966</u>	<u>\$ —</u>

(27) Significant lease agreements

a. The Company as lessee

	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases	<u>\$ 18,571</u>	<u>\$ 18,709</u>
Total cash outflow for leases	<u>\$ 21,358</u>	<u>\$ 21,677</u>

b. The Company as lessor

As of December 31, 2022 and 2021, the future lease payments receivable under operating leases of investment properties were as follows:

	2022.12.31	2021.12.31
Not later than 1 year	\$ 11,996	\$ 11,952
1-2 years	8,021	6,495
2-3 years	5,354	5,249
3-4 years	5,406	5,354
4-5 years	5,514	5,406
Later than 5 years	7,424	11,546
Total	<u>\$ 43,715</u>	<u>\$ 46,002</u>

(28) 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.

(29) Financial instruments

a. Fair value of financial instruments

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

② Financial instruments that are measured at fair value

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

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

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

	2022.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	\$ —	\$ 1,883	\$ —	\$ 1,883
Financial assets at FVTOCI				
Listed shares	\$ 162	\$ —	\$ —	\$ 162
Unlisted shares	—	47,599	194,190	241,789
Total	<u>\$ 162</u>	<u>\$ 47,599</u>	<u>\$ 194,190</u>	<u>\$ 241,951</u>

	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	<u>\$ 215</u>	<u>\$ —</u>	<u>\$ 249,837</u>	<u>\$ 250,052</u>
Financial liabilities at FVTPL	<u>\$ —</u>	<u>\$ 442</u>	<u>\$ —</u>	<u>\$ 442</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021.

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

	Financial assets at FVTOCI	
	2022	2021
Balance, beginning of the year	\$ 249,837	\$ 225,560
Acquisition of financial assets at FVTOCI	37,995	8,112
Disposal of financial assets at FVTOCI	(10,768)	—
Transfer from Level 3	(47,599)	—
Accounted for unrealized gains (losses) from investments in equity instruments measured at FVTOCI	<u>(35,275)</u>	<u>16,165</u>
Balance, end of the year	<u>\$ 194,190</u>	<u>\$ 249,837</u>

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

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

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

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

b. Categories of financial instruments

<u>Financial assets</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
FVTOCI	\$ 241,951	250,052
Amortized cost (Note)	<u>4,141,737</u>	<u>3,596,267</u>
Total	<u>\$ 4,383,688</u>	<u>\$ 3,846,319</u>

Financial liabilities	2022.12.31	2021.12.31
Amortized cost		
Short-term loans	\$ 2,027,000	\$ 1,718,353
Accounts payable	2,169,205	1,729,610
Current tax liabilities	40,326	38,820
Other payables	382,897	233,614
Long-term loans	150,000	150,000
Lease liabilities	3,595	6,293
Guarantee deposits	3,369	3,297
FVTPL	—	442
Total	\$ 4,776,392	\$ 3,880,429

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):

2022.12.31

	Foreign Currencies	Exchange Rate	Carrying Amounts (NTD)	Sensitivity Analysis		
				Variations	Impact on Profit (loss)	Impact on Equity
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 18,089	30.725	555,785	±10%	±55,579	±55,579
EUR	54	32.76	1,769	±10%	±177	±177
JPY	16,422	0.2321	3,812	±10%	±381	±381
SGD	1,103	22.87	25,226	±10%	±2,523	±2,523
RMB	8,091	4.411	35,689	±10%	±3,569	±3,569
ZAR	1,400	1.809	2,533	±10%	±253	±253
AUD	2	20.78	42	±10%	±4	±4
<u>Non-monetary items</u>						
RMB	16,873	4.411	74,427	±10%	—	±7,443
ZAR	6,791	1.809	12,285	±10%	—	±1,229
EUR	820	32.76	26,863	±10%	—	±2,686
SGD	2,803	22.87	64,105	±10%	—	±6,411
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	2,856	30.725	87,751	±10%	∓8,775	∓8,775
EUR	173	32.76	5,667	±10%	∓566	∓566
RMB	680	4.411	2,999	±10%	∓300	∓300
JPY	6,452	0.2321	1,498	±10%	∓150	∓150

2021.12.31

	Foreign Currencies	Exchange Rate	Carrying Amounts (NTD)	Sensitivity Analysis		
				Variations	Impact on Profit (loss)	Impact on Equity
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 10,992	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	28,282	±10%	±2,828	±2,828
ZAR	1,400	1.734	2,428	±10%	±243	±243
<u>Non-monetary items</u>						
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
<u>Financial liabilities</u>						
<u>Monetary items</u>						
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

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

#### ② Interest rate risk

The Company is exposed to interest rate risks related to floating rate short-term and long-term loans. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

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, 2022 and 2021 would decrease/increase by NT\$5,443 thousand and NT\$4,671 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, 2022 and 2021 would have increased/decreased by NT\$12,098 thousand and NT\$12,503 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, 2022 and 2021, the Company's ten largest customers accounted for 81.02% and 79.49% 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, 2022 and 2021 the amount of unused financing facilities were NT\$1,933,206 thousand and NT\$1,492,434 thousand, respectively.

① Liquidity risk table for non-derivative financial liabilities

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

	2022.12.31			2021.12.31		
	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	\$ 2,027,000	\$ —	\$ 2,027,000	\$ 1,718,353	\$ —	\$ 1,718,353
Accounts payable	2,139,434	29,771	2,169,205	1,697,223	32,387	1,729,610
Current tax liabilities	40,326	—	40,326	38,820	—	38,820
Other payables	358,297	24,600	382,897	205,653	27,961	233,614
Long-term loans	—	150,000	150,000	—	150,000	150,000
Lease liabilities	2,688	907	3,595	2,698	3,595	6,293
Guarantee deposits	67	3,302	3,369	—	3,297	3,297
	<u>\$ 4,567,812</u>	<u>\$ 208,580</u>	<u>4,776,392</u>	<u>\$ 3,662,747</u>	<u>\$ 217,240</u>	<u>3,879,987</u>

② Liquidity risk table for derivative financial liabilities

The following table detailed the Company's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the



undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable was not fixed, the amount disclosed was determined by reference to the projected interest rates as illustrated by the yield curves at the end of the year.

<u>Derivative financial instruments</u>	<u>Less than 1 Year</u>	
	<u>2022.12.31</u>	<u>2021.12.31</u>
Gross settled foreign exchange contract		
Inflows	\$ 85,078	\$ 107,720
Outflows	(83,195)	(108,162)
	<u>\$ 1,883</u>	<u>\$ (442)</u>

## 7. TRANSACTIONS WITH RELATED PARTIES

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

### (1) Names and relationships of related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
Air King Industrial Co., Ltd.	Subsidiary
Ares Technology Co., Ltd.	Subsidiary
Allis Communications Co., Ltd.	Subsidiary
Yishun Investment Co., Ltd.	Subsidiary
Qingdao Liming Industry Co., Ltd. (Qingdao Liming)	Subsidiary (Note)
Hengyuan Allis Electric Co., Ltd. (Hengyuan)	Subsidiary
PHD Powerhouse Distributions (PTY) Ltd.	Subsidiary
AEC International S.r.l (AEC)	Subsidiary
Allis Electric (S) Pte. Ltd.	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
Hui-De Industrial Co., Ltd.	Related party in substance
Herr-Yeh Sung	Key management personnel

Note: Qingdao Liming was merged into Hengyuan on September 27, 2021.

### (2) Operating revenue

<u>Line Items</u>	<u>Related Parties Categories</u>	<u>2022</u>	<u>2021</u>
Operating Revenue	Subsidiaries	\$ 302,930	\$ 161,293
	Associates	70,495	50,098
	Others	3,862	120
		<u>\$ 377,287</u>	<u>\$ 211,511</u>

(3) Purchase and factory overhead

<u>Line Items</u>	<u>Related Parties Categories</u>	<u>2022</u>	<u>2021</u>
Purchase and factory overhead	Subsidiaries	\$ 527,194	\$ 358,923
	Associates	256,222	228,125
	Others	97,951	105,354
		<u>\$ 881,367</u>	<u>\$ 692,402</u>

(4) Receivables from related parties

<u>Line Items</u>	<u>Related Parties Categories</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Notes receivable from related parties	Others	\$ 3,504	\$ —
		<u>\$ 3,504</u>	<u>\$ —</u>
Accounts receivable from related parties	Subsidiaries	149,864	100,076
	Associates	29,773	33,661
	Others	379	—
		<u>\$ 180,016</u>	<u>\$ 133,737</u>
Other receivables	Subsidiaries	\$ 90	\$ 57
	Associates	101	102
		<u>\$ 191</u>	<u>\$ 159</u>

The outstanding receivables from related parties are unsecured.

For the years ended December 31, 2022 and 2021, no impairment loss was recognized for receivables from related parties.

(5) Payable to related parties

<u>Line Items</u>	<u>Related Parties Categories</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Accounts payable to related parties	Subsidiaries	\$ 214,578	\$ 162,426
	Associates	100,498	119,957
	Others	29,180	44,583
		<u>\$ 344,256</u>	<u>\$ 326,966</u>
Other payables	Subsidiaries	\$ 13,892	\$ 3,923
	Others	1,593	795
		<u>\$ 15,485</u>	<u>\$ 4,718</u>

## (6) Others

Line Items	Related Parties Categories	2022	2021
Selling and marketing expenses	Subsidiaries	\$ —	\$ 27
	Others	744	643
		<u>\$ 744</u>	<u>\$ 670</u>
Research and development expenses	Subsidiaries	\$ 141	\$ —
	Others	45	72
		<u>\$ 186</u>	<u>\$ 72</u>
Other income	Subsidiaries	\$ 190	\$ 181
	Associates	1,318	79
	Others	24	18
		<u>\$ 1,532</u>	<u>\$ 278</u>
		<u>2022.12.31</u>	<u>2021.12.31</u>
Contract liabilities	Associates	<u>\$ —</u>	<u>\$ 315</u>
Construction in Progress	Subsidiaries	<u>\$ 30,660</u>	<u>\$ 74,677</u>

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

## (7) Financing provided

	2022				
	Highest Balance	Ending Balance	Allowance for Impairment Loss	Interest Rate	Interest income
AEC	<u>\$ 28,248</u>	<u>\$ 19,971</u>	<u>\$ —</u>	3%	<u>\$ 707</u>
	2021				
	Highest Balance	Ending Balance	Allowance for Impairment Loss	Interest Rate	Interest income
AEC	<u>\$ 36,400</u>	<u>\$ 26,272</u>	<u>\$ —</u>	3%	<u>\$ 898</u>

The financing provided to AEC is unsecured.

## (8) Compensation of key management personnel

	2022	2021
Short-term benefits	\$ 57,819	\$ 45,986
Post-employment benefits	822	807
	<u>\$ 58,641</u>	<u>\$ 46,793</u>

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

(9) Other

As of December 31, 2022 and 2021, the title of farmland with carrying amounts of NT\$308 thousand were temporarily registered in the name of Herr-Yeh Sung who had signed an agreement and had pledged the land to the Company. Please refer to Note 6(8).

**8. PLEDGED ASSETS**

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Pledged time deposits (accounted for as other receivables)	\$ 5,072	\$ 5,033
Property, plant and equipment, net	674,582	679,337
Investment properties, net	<u>346,730</u>	<u>348,678</u>
Total	<u>\$ 1,026,384</u>	<u>\$ 1,033,048</u>

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

As of December 31, 2022, significant contingent liabilities and unrecognized commitments of the Company were as follows:

- (1) The guaranteed notes issued were NT\$3,784,838 thousand, including:
  - a. The guaranteed notes issued for bank loans were NT\$3,230,000 thousand.
  - b. The guaranteed notes issued for sales contracts performance guarantees were NT\$554,838 thousand.
- (2) Information related endorsements/guarantees provided, please refer to Table 2 attached.
- (3) Unused letters of credit were USD\$6,954 thousand and JPY58,906 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: Please refer to Table 5 attached.
  - 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 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 to Note 7.
- (4) Information of major shareholder
- List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: None.

Allis Electric Co., Ltd.  
FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Table 1

No.	Lender	Borrower	Financial Statement Account	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 2)
												Item	Value		
0	Allis Electric Co., Ltd.	AEC International S.r.l.	Other receivables	\$ 28,248	\$ 19,971	\$ 19,971	3.00%	Business Transaction	\$ 225,210	—	\$ —	None	None	\$ 383,136	\$ 766,272
		Zhong Mou Construction Co., Ltd.	Other receivables	\$ 69,189	\$ 59,214	\$ 59,214	1.50%	Short-term Financing	—	Operating capital	\$ —	—	None	None	\$ 383,136

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, 2022**  
(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)										
		Nissin-Allis Electric Co., Ltd.	f		\$ 80,000	\$ 80,000	\$ 53,169	—	2.09%		—	—	—
		Ares Technology Co., Ltd.	b		\$ 125,000	\$ 125,000	\$ 74,000	—	3.26%		Y	—	—
0	Allis Electric Co., Ltd.	Air King Industrial Co., Ltd.	b	\$ 1,277,120 (Note 2)	\$ 270,400	\$ 270,400	\$ 218,494	—	7.06%	\$ 1,915,681 (Note 2)	Y	—	—
		Zhong Mou Construction Co., Ltd.	e		\$ 271,962	\$ 271,962	\$ 271,962	—	7.10%		—	—	—
		Allis Electric (S) Pte. Ltd.	b		\$ 64,105	\$ 64,105	\$ 64,105	—	1.67%		Y	—	—
1	Air King Industrial Co., Ltd.	Allis Electric Co., Ltd.	c	\$ 450,000 (Note 3)	\$ 27,766	\$ 16,349	\$ 16,349	—	11.24%	\$ 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, 2022  
(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, 2022				
				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	47	—	47	
	Stocks of Taiwan High Speed Rail Corporation	—	Financial assets at fair value through other comprehensive income-current	4,000	115	—	115	
	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	41,494	19.68%	41,494
	Stocks of Arch Meter Corporation	—	—	Financial assets at fair value through other comprehensive income-noncurrent	1,248,000	47,599	3.98%	47,599
	Stocks of Tangeng Advanced Vehicles Co., Ltd.	—	—	Financial assets at fair value through other comprehensive income-noncurrent	9,800,777	146,522	14.41%	146,522
	Stocks of Leadtang Technology Co., Ltd.	—	—	Financial assets at fair value through other comprehensive income-noncurrent	1,000,000	3,110	12.50%	3,110
	Stocks of ProMOS Technologies Inc.	—	—	Financial assets at fair value through other comprehensive income-noncurrent	133,366	1,788	0.30%	1,788
	Stocks of Advantage International Green Energy Co., Ltd.	—	—	Financial assets at fair value through other comprehensive income-noncurrent	—	786	1.00%	786
	Stocks of ChargeSmith Co., Ltd.	—	—	Financial assets at fair value through other comprehensive income-noncurrent	175,759	490	13.49%	490



Allis Electric Co., Ltd. and Subsidiaries  
 MARKETABLE SECURITIES HELD  
 (Excluding Investment in Subsidiaries, Associates And Joint Controlled Entities)

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2022			
				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	540	—	540
	Stocks of Allis Electric Co., Ltd.	Parent company	Financial assets at fair value through other comprehensive income-current	2,818,877	82,734	1.18%	82,734
	Stocks of Taiwan Cement Corporation	—	Financial assets at fair value through other comprehensive income-current	10,999	370	—	370
	Stocks of Great Wall Enterprise Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	1,138	52	—	52
	Stocks of Hong Tai Electric Industrial Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	20,000	325	—	325
	Stocks of China Steel Corporation	—	Financial assets at fair value through other comprehensive income-current	10,000	298	—	298
	Stocks of Sheng Yu Steel Co., Ltd..	—	Financial assets at fair value through other comprehensive income-current	10,000	245	—	245
	Stocks of TSRC Corporation	—	Financial assets at fair value through other comprehensive income-current	10,000	270	—	270
	Stocks of IKKA Holdings (Cayman) Limited	—	Financial assets at fair value through other comprehensive income-current	10,000	716	—	716
	Stocks of United Microelectronics Corporation	—	Financial assets at fair value through other comprehensive income-current	50,000	2,035	—	2,035
	Stocks of Yageo Corporation	—	Financial assets at fair value through other comprehensive income-current	1,591	718	—	718
	Stocks of Taiwan Semiconductor Manufacturing Company Limited	—	Financial assets at fair value through other comprehensive income-current	10,000	4,485	—	4,485

Allis Electric Co., Ltd. and Subsidiaries  
 MARKETABLE SECURITIES HELD  
 (Excluding Investment in Subsidiaries, Associates And Joint Controlled Entities)

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2022			
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value
Yishun Investment Co., Ltd.	Stocks of Macronix International Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	40,000	1,350	—	1,350
	Stocks of Giga-byte Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	3,000	320	—	320
	Stocks of United Integrated Services Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	8,000	1,464	—	1,464
	Stocks of King Yuan Electronics Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	10,000	362	—	362
	Stocks of Elan Microelectronics Corp.	—	Financial assets at fair value through other comprehensive income-current	10,000	860	—	860
	Stock of Walsin Technology Corp.	—	Financial assets at fair value through other comprehensive income-current	5,000	395	—	395
	Stocks of Evergreen Marine Corp. (Taiwan) Ltd.	—	Financial assets at fair value through other comprehensive income-current	4,000	652	—	652
	Stock of Yang Ming Marine Transport Corporation	—	Financial assets at fair value through other comprehensive income-current	20,000	1,310	—	1,310
	Stocks of Fubon Financial Holding Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	11,550	650	—	650
	Stocks of Cathay Financial Holding Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	5,000	200	—	200
	Stocks of Celxpert Energy Corporation	—	Financial assets at fair value through other comprehensive income-current	10,000	330	—	330
	Stocks of Xintec Inc.	—	Financial assets at fair value through other comprehensive income-current	10,000	963	—	963

Allis Electric Co., Ltd. and Subsidiaries  
 MARKETABLE SECURITIES HELD  
 (Excluding Investment in Subsidiaries, Associates And Joint Controlled Entities)

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2022				
				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	20,000	1,878	—	1,878	
	Stock of Fitipower Integrated Technology Inc.	—	Financial assets at fair value through other comprehensive income-current	10,000	1,155	—	1,155	
	Stocks of Vanguard International Semiconductor Corp.	—	Financial assets at fair value through other comprehensive income-current	22,000	1,705	—	1,705	
	Stocks of Sonix Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income-current	5,000	251	—	251	
	Stocks of Hannstar Display Corp.	—	Financial assets at fair value through other comprehensive income-current	10,000	111	—	111	
	Stocks of Sigurd Microelectronics Corp.	—	Financial assets at fair value through other comprehensive income-current	30,000	1,456	—	1,456	
	Stocks of Watron Technology Corp.	—	Financial assets at fair value through other comprehensive income-noncurrent	822,400	20,848	15.23%	20,848	
	Allis Communications Company, Ltd.	Stocks of Watron Technology Corp.	—	Financial assets at fair value through other comprehensive income-noncurrent	206,400	5,232	3.82%	5,232

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, 2022**  
(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
Allis Electric Co., Ltd.	AEC International S.r.l.	Subsidiary	Sales	\$ (225,210)	(3.13%)	210 days	—	\$ 119,166	3.42%
	Air King Industrial Co., Ltd.	Subsidiary	Purchase	\$ 438,043	6.79%	115 days	—	\$ (181,644)	(8.37%)
	Nissin-Allis Electric Co., Ltd.	Associate	Purchase	\$ 256,222	3.97%	115 days	—	\$ (100,498)	(4.63%)

Allis Electric Co., Ltd.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Table 5

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Allis Electric Co., Ltd.	AEC International S.r.l.	Subsidiary	\$ 119,166	2.31%	\$ —	—	\$ 32,867	\$ 17,269

Allis Electric Co., Ltd. and Subsidiaries  
 INFORMATION ON INVESTEES (EXCLUDING INVESTEE COMPANY IN MAINLAND CHINA)  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (In Thousands of New Taiwan Dollars)

Table 6

Investor Company	Investee Company	Location	Principle Businesses Activities	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Shares	%	Carrying Amount			
Allis Electric Co., Ltd.	Air King Industrial Co., Ltd.	Taipei, Taiwan	Design and installation of electrical equipment	\$ 28,458	\$ 28,458	5,101,701	83.12%	\$ 113,072	\$ 67,827	\$ 56,619	—
	Nissin-Allis Electric Co., Ltd.	Taoyuan, Taiwan	Manufacturing of SF6 capacitor and GIS	90,000	90,000	9,000,000	30.00%	250,109	184,365	55,310	—
	Ares Technology Co., Ltd.	New Taipei City, Taiwan	Manufacturing of UPS	75,560	75,560	6,800,000	100.00%	68,200	3,493	3,493	—
	Allis Communications Co., Ltd.	New Taipei City, Taiwan	Manufacturing of GPS antennas	86,909	86,909	4,958,380	82.64%	62,507	12,786	10,566	—
	Yishun Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	179,900	179,900	17,990,000	99.94%	103,400	3,786	1,771	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%	92,715	38,347	15,339	—
	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%	10,433	2,527	2,275	—
	AEC International S.r.l.	Italy	Selling of electrical equipment	66,444	62,771	420,000	70.00%	17,682	11,717	10,881	—
	Intelicis Corporation	Santa Clara, U.S.	Developing of radio frequency products	49,301	49,301	1,875,500	29.16%	—	—	—	—
	Allis Electric (S) Pte. Ltd.	Singapore	Selling of electrical equipment	65,353	—	3,000,000	100.00%	64,111	(4,449)	(4,449)	—

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, 2022**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Table 7

Investee Company	Principle Businesses Activities	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from January 1, 2022	Remittance of Funds		Accumulated Outward Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	Ownership of Direct or Indirect Investment	Share of Profit (Loss) (Note)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Hengyuan Allis Electric Co., Ltd.	Selling of electrical equipment	USD 3,400	Direct investment	\$ 67,781 (USD2,121)	\$ —	\$ 17,234 (USD539)	\$ 50,547 (USD1,582)	\$ 6,612	65.38%	\$ 4,323	\$ 74,183	\$ 17,234 (USD539)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
	\$ 106,207 (USD3,266)	\$ 206,102(USD 6,411)
		2,298,817

Note: The share of profit (loss) was recognized based on the financial statements certified 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	2022	2021	Differences		Analysis
			Amount	Change ratio (%)	
Current assets	7,396,283	5,720,305	1,675,978	29.30	1
Property, plant and equipment	1,536,559	1,354,528	182,031	13.44	—
Other Assets	1,150,269	1,117,210	22,482	2.01	—
Total Assets	10,083,111	8,192,043	1,891,068	23.08	2
Current liabilities	5,752,902	4,123,893	1,629,009	39.50	3
Non-current liabilities	410,405	459,582	(49,177)	(10.70)	—
Total liabilities	6,163,307	4,583,475	1,579,832	34.47	4
Owners' equity attributable to the parent company	3,831,361	3,535,570	295,791	8.37	—
Equity	2,397,430	2,283,267	114,163	5.00	—
Capital fund	73,039	71,031	2,008	2.83	—
Retention Surplus	1,348,596	1,091,922	256,674	23.51	5
Other interests	53,912	130,966	(77,054)	(58.84)	6
Treasury Unit	(41,616)	(41,616)	0	0.00	—
Non-controlling interests	88,443	72,998	15,445	21.16	7
Total shareholders' equity	3,919,804	3,608,568	311,236	8.62	—

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 in current assets: With a significant increase in orders in hand, the demand for material preparation and shipment has increased, resulting in a significant increase in accounts receivable and inventory
2. Increase in total assets: Due to the continuous construction of factories in recent years, there has been a significant increase in orders in hand, and the demand for material preparation and shipment has increased, resulting in a significant increase
3. Increase in current liabilities: The demand for stocking and shipping has increased, resulting in a significant increase in short-term borrowings, accounts payable, and contractual liabilities
4. Increase in total liabilities: The demand for stocking and shipping has increased,

- resulting in a significant increase in short-term borrowings, accounts payable, and contractual liabilities
5. Increase in retained earnings: mainly due to revenue growth and a significant 40% increase in net profit
  6. The decrease in other equity decrease: mainly due to the decrease in equity instrument investment profit (loss) measured at fair value through OCI (Yes Sir Auto Shop and Tangeng Advanced Vehicles)
  7. Increase in non-controlling interests: mainly due to growth in revenue and significant increase in profits

## (II) Financial Performance

### Comparative Financial Performance Analysis

Unit: NT\$1,000

Item	Year		Differences		Analysis
	2022	2021	Differences	Differences	
Total operating income	7,720,377	5,684,129	2,036,248	35.82	1
Less: Return and discount	(11,225)	(2,500)	(8,725)	349.00	1
Net operating income	7,709,152	5,681,629	2,027,523	35.69	1
Operating Cost	6,418,988	4,705,428	1,713,560	36.42	2
Operating Gross Profit	1,290,164	976,201	313,963	32.16	3
(Un)realized benefits	(1,262)	(195)	(1,067)	547.18	3
Realized gross profit on sales	1,288,902	976,006	312,896	32.06	3
Operating expense	791,949	600,040	191,909	31.98	4
Operating income	496,953	375,966	120,987	32.18	5
Non-operating income and expenses	95,243	52,269	42,974	82.22	6
Continuing business units Net income before tax	592,196	428,235	163,961	38.29	7
Income tax expense	66,316	59,827	6,489	10.85	—
Continuing business units Net income for the period	525,880	368,408	157,472	42.74	7
Net income (loss)	525,880	368,408	157,472	42.74	7

Analysis and explanation of the increase or decrease ratio of more than 20%:

1. Increase in total operating revenue, refunds and allowances, and net operating revenue: PV INVERTE has made a breakthrough in development, with multiple line switches in distribution automation being the first to obtain localization certification from Taiwan Power and receive orders
2. Increase in operating costs: Due to increased revenue, costs have increased simultaneously
3. Increase in operating gross profit, realized (unrealized) profits, and realized sales gross profit: Distribution automation multiple line switches are the first to obtain the localization certification qualification of Taiwan Power and receive orders
4. Increase in operating expenses: In response to the growth of orders, actively cooperate with government policies to update power plant equipment, expand new plants and recruiting personnel, and establish various stationed offices, resulting in increased expenses

5. Increase in operating profit and loss: mainly due to growth in revenue and a significant 40% increase in net profit
6. Increase in non-operating income and expenses: mainly due to an increase in exchange gains and a decrease in impairment losses
7. Increase in pre tax net profit of continuing business units, increase in current period net profit of continuing business units, and increase in current period net profit (loss): due to the growth of revenue, net profit increased significantly by 40%

### (III) Cash flow

#### A. Analysis and explanation of cash flow changes in 2022

Unit: NT\$ 1000

Cash balance in the beginning of period	Net cash flow from operating activities throughout the year	Net cash flow from investment and financing activities for the whole year	Remaining (insufficient) amount of cash	Remedies for insufficient cash	
				Investment plan	Financing programs
a	b	c	a + b + c		
499,304	225,040	(54,280)	670,064	—	—
1. Cash inflow from operating activities: due to an increase in the number of days of receipt 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\$ 1000

Cash balance in the beginning of period	Estimated net cash flow from operating activities for the whole year	Estimated annual cash inflow	Estimated remaining (insufficient) amount of cash	Remedies for estimated insufficient cash	
				Investment plan	Financing programs
a	b	c	a + b + c		
670,064	(500,000)	850,000	1,020,064	150,000	1,000,000
1. Analysis of cash flow changes in the coming year: In 2023, the increase in profits and the recovery of payments may generate cash inflows, but due to the expansion of new factories and the purchase of equipment in Yangmei, as well as the increase in orders in hand, the demand for materials has increased, resulting in an increase in cash outflows 2. Remedial measures for estimated insufficient cash and liquidity analysis: It is expected to issue NT\$ 1 billion of corporate bonds as a remedial measure in the third quarter of 2023					

(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 2021 and 2022, 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:

- (2) There is significant increase in global interest rates. 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\$ 25 million to 30 million, resulting in slight impact on the Company.

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 1~2 yards, which will slightly erode profits but have a limited impact.

- (3) The exchange rate has fluctuated recently. Most of our import and export transactions are denominated in US dollars. Since 2022, US dollars have depreciated relatively, resulting in partial exchange loss 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.

- (4) In 2022 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. In 2023, the COVID-19 slows down and the supply of materials is stabilized. However, the global economic outlook is subject to the high inventory situation, and the market demand remains to be observed

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. In addition to actively developing general market demand, in order to meet the needs of domestic energy and construction development policies, the Company continues to participate in the power grid resilience plan and rail public construction to ensure the stable growth of the Company's operations.

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 2022 are still fair, and the orders received in the first quarter of 2023 are normal, the financial structure is sound, and the influence is still within the controllable range; Please refer to page 76 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: none.
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	61,380	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.	70.00%	June, 1998	VIA NERVIANO 55 LAINATE (MI), ITALY	EUR 600	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
ALLIS ELECTRIC(S) PTE. LTD.	100.00%	October, 2022	34 Woodlands Sector2, Woodlands Connection, Singapore 737689	SGD 3,000	Sales of electrical 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	97.365	1.59
	Director	Yang Zhentong	392.602	6.40
	Director	Chen Mingsheng	0.75	0.01
	Director	Chueh Wenzhang	117.577	1.92
	Director	Wang Yingbai	177.097	2.88
	Director	Huang Zhili	27.28	0.44
	Director	Deng Chunsheng	12.4	0.20
	Supervisor	Li Wen	3.001	0.05
	General Manager	Chueh Wenzhang	117.577	1.92
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	60	10
	Vice Chairman of the Board	Song Heye (Note 1)	420	70
	Director	Zheng Chaobin (Note 1)	420	70
	Director	Lorenzo Carozzi	120	20

Enterprise name	Title	Name or representative	Shareholding	
			Number of shares (thousand shares)	Shareholding Ratio (%)
PHD Powerhouse Distributions (PTY) Ltd.	Director	Zhang Baicheng (Note 1)	0.09	90
	Director	Warren Botten	0.01	10
	Director	Fatima Pires	0	0
ALLIS ELECTRIC(S) PTE. LTD.	Chairman	Chen Wenchin	3,000	100

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	61,380	558,845	413,411	145,434	622,413	87,657	67,827	11.05
ARES TECHNOLOGY Co., Ltd	68,000	173,684	105,484	68,200	104,285	4,421	3,493	0.51
ALLIS COMMUNICATIONS COMPANY, LTD.	60,000	90,239	14,601	75,638	77,885	10,012	12,786	2.13
Yishun Investment Co., Ltd	180,000	186,306	110	186,196	2,445	1,500	3,786	0.21
Nissin-Allis Electric Co., Ltd	300,000	1,258,841	418,772	840,069	1,062,858	237,927	184,365	6.15
NISSIN ALLIS UNION ION EQUIPMENT Co., Ltd	100,000	334,462	102,674	231,788	236,151	37,835	38,347	3.83
AYM INTERNATIONAL INC.	14,855	62,481	62,481	0	0	0	0	0.00
PHD POWERHOUSE DISTRIBUTIONS CC.	0.336	49,069	35,419	13,650	102,299	2,879	2,527	75,208.33
AEC INTERNATIONAL S.R.L	19,907	216,777	178,403	38,374	309,380	16,774	11,717	5.89
Qingdao Hengyuan Yali Electric Co., Ltd	109,486	175,136	61,299	113,837	137,717	727	6,612	0.60
ALLIS ELECTRIC(S) PTE. LTD.	65,353	130,931	66,820	64,111	0	-1,388	-4,449	-0.68

### 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 2022 (from January 1, 2022 to December 31, 2022) 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

2023-03-14

B. Relationship report: not applicable.

(II) Private placement of securities: none.

(III) Holding or disposing of the Company's shares by subsidiaries  
**2022 and as of March 31, 2023, 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 2023-03-31 (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.	61,380	Funds at the disposal of the localities	83.12	—	—	—	—	0 shares NT\$ 0	—	270,400	—
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	2022. 9.30	134,232	—	—	2,818,877 shares 82,734	—	—	—
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 600	Funds at the disposal of the localities	70.00	—	—	—	—	0 shares NT\$ 0	—	—	19,971

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 2023-03-31 (Note 3)	Set pledge situation (Note 4)	The Company guarantees the amount of endorsement for subsidiaries.	Amount of loans from the Company to subsidiaries
PHD Powerhouse Distributions (PTY) Ltd.	0.1 ZAR	Funds at the disposal of the localities	90.00	—	—	—	—	0 shares NT\$ 0	—	—	—
ALLIS ELECTRIC(S) PTE. LTD.	SGD 3,000	Funds at the disposal of the localities	100.00	—	—	—	—	0 shares NT\$ 0	—	64,105	—

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	2022 Annual Occupancy Rate
Power distribution and substation class	25%
Electrical equipment	20%
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



ALLIS ELECTRIC CO.,LTD.