

Allis Electric Co., Ltd.

Parent Company Only Financial Statements
for the Years Ended December 31, 2020 and 2019
(With Auditors' Report Thereon)

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The independent 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.
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INDEPENDENT AUDITORS' REPORT

Allis Electric Co., Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Revenue Recognition

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

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

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

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

Estimated Impairment of Accounts Receivable

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

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

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

Other Matter

We did not audit the financial statements of certain investee companies as of and for the years ended December 31, 2020 and 2019, which reflected in the parent company only financial statements using the equity of accounting, but such financial statements were audited by other auditors whose reports have been furnished to us. Thus, our opinion, insofar as it relates to the amounts included in Allis Electric Ltd.'s parent company only financial statements for such investee companies, is based solely on the reports of other auditors. As of December 31, 2020 and 2019, the aforementioned investment accounted for using equity method were NT\$328,682 thousand and NT\$276,015 thousand, respectively, which represented 5.56% and 4.89%, respectively, of the total assets. Allis Electric Ltd.'s share of comprehensive income or loss of such investee companies were NT\$41,216 thousand and NT\$47,615 thousand for the years ended December 31, 2020 and 2019, respectively, which represented 11.08% and 14.09%, respectively, of total comprehensive income.

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

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

In preparing the parent company only financial statements, management is responsible for assessing Allis Electric Ltd.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Allis Electric Ltd. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing Allis Electric Ltd.'s financial reporting process.

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

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

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

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

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

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

where applicable, related safeguards.

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

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

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

March 30, 2021

Notice to Readers

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

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

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

ASSETS		Notes	2020.12.31		2019.12.31		LIABILITIES AND EQUITY		Notes	2020.12.31		2019.12.31	
			Amount	%	Amount	%				Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
1100	Cash and cash equivalents	Note 4 and 6	\$ 455,866	7.71	\$ 264,767	4.69	2100	Short-term loans	Note 6	\$ 735,000	12.43	\$ 738,038	13.07
1120	Financial assets at fair value through other comprehensive income	Note 4 and 6	144	0.00	171	0.00	2120	Financial liabilities at fair value through profit or loss	Note 4 and 6	1,775	0.03	—	—
1140	Contract assets	Note 4	106,581	1.80	235,722	4.17	2130	Contract liabilities	Note 4	200,719	3.39	204,638	3.63
1150	Notes receivable, net	Note 4 and 6	63,892	1.08	79,386	1.41	2170	Accounts payable		991,043	16.76	1,068,283	18.91
1160	Notes receivable from related parties	Note 7	613	0.01	5,094	0.09	2180	Accounts payable to related parties	Note 7	162,846	2.75	117,340	2.08
1170	Accounts receivable, net	Note 4 and 6	1,752,953	29.64	1,426,799	25.26	2200	Other payables	Note 7	205,100	3.47	176,600	3.13
1180	Accounts receivable from related parties	Note 6 and 7	65,678	1.11	33,098	0.59	2230	Current tax liabilities	Note 4	28,018	0.47	13,325	0.23
1200	Other receivables	Note 4, 6, 7 and 8	147,191	2.49	250,549	4.44	2250	Provisions	Note 4 and 6	12,100	0.20	12,100	0.21
1310	Inventories	Note 4 and 6	941,782	15.92	1,145,947	20.29	2255	Short-term onerous contracts provision		1,633	0.03	8,537	0.14
1410	Prepayments	Note 7	34,758	0.59	29,301	0.52	2280	Lease liabilities	Note 4	2,827	0.05	4,584	0.08
1479	Other current assets	Note 6	175	0.00	24	0.00	2399	Other current liabilities		712	0.01	961	0.02
11xx	Total current assets		<u>3,569,633</u>	<u>60.35</u>	<u>3,470,858</u>	<u>61.46</u>	21xx	Total current liabilities		<u>2,341,773</u>	<u>39.59</u>	<u>2,344,406</u>	<u>41.50</u>
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
							2540	Long-term loans	Note 6	47,000	0.80	—	—
							2571	Deferred tax liabilities-land value increment tax		174,220	2.95	174,220	3.09
							2580	Lease liabilities	Note 4	6,293	0.11	9,120	0.16
							2640	Net defined benefit liabilities	Note 4 and 6	80,448	1.35	83,525	1.49
							2645	Guarantee deposits		3,298	0.06	3,382	0.06
							25xx	Total non-current liabilities		<u>311,259</u>	<u>5.27</u>	<u>270,247</u>	<u>4.80</u>
							2xxx	Total liabilities		<u>2,653,032</u>	<u>44.86</u>	<u>2,614,653</u>	<u>46.30</u>
1517	Financial assets at fair value through other comprehensive income	Note 4 and 6	225,560	3.81	166,839	2.95							
1550	Investments accounted for using equity method	Note 4 and 6	661,248	11.18	607,226	10.75		EQUITY	Note 6				
1600	Property, plant and equipment	Note 4, 6 and 8	974,161	16.47	902,016	15.98	3100	Share capital		<u>2,174,540</u>	<u>36.77</u>	<u>2,070,990</u>	<u>36.67</u>
1755	Right-of-use assets	Note 4 and 6	8,954	0.15	13,579	0.24	3200	Capital surplus		<u>68,870</u>	<u>1.16</u>	<u>67,172</u>	<u>1.18</u>
1760	Investment properties	Note 4, 6 and 8	357,850	6.05	359,999	6.37		Retained earnings					
1780	Intangible assets	Note 4 and 6	8,061	0.14	9,965	0.17	3310	Legal reserve		132,753	2.24	102,580	1.82
1840	Deferred tax assets	Note 4 and 6	17,523	0.30	20,461	0.36	3320	Special reserve		452,190	7.65	452,994	8.02
1915	Prepayments for equipment		—	—	6,131	0.12	3350	Unappropriated earnings		<u>393,242</u>	<u>6.65</u>	<u>328,398</u>	<u>5.82</u>
1920	Refundable deposits		44,921	0.77	41,453	0.73	3300	Total retained earnings		<u>978,185</u>	<u>16.54</u>	<u>883,972</u>	<u>15.66</u>
1980	Other receivables	Note 6	36,530	0.62	38,987	0.69	3400	Other equity		<u>81,178</u>	<u>1.37</u>	<u>52,091</u>	<u>0.93</u>
1990	Other non-current assets	Note 6	9,748	0.16	9,748	0.18	3500	Treasury Stock		<u>(41,616)</u>	<u>(0.70)</u>	<u>(41,616)</u>	<u>(0.74)</u>
15xx	Total non-current assets		<u>2,344,556</u>	<u>39.65</u>	<u>2,176,404</u>	<u>38.54</u>	3xxx	Total equity		<u>3,261,157</u>	<u>55.14</u>	<u>3,032,609</u>	<u>53.70</u>
1xxx	TOTAL ASSETS		<u>\$ 5,914,189</u>	<u>100.00</u>	<u>\$ 5,647,262</u>	<u>100.00</u>		TOTAL LIABILITIES AND EQUITY		<u>\$ 5,914,189</u>	<u>100.00</u>	<u>\$ 5,647,262</u>	<u>100.00</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

1. GENERAL

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

2. APPROVAL DATE AND PROCEDURES OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

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

(2) Basis of preparation

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

(3) Foreign currencies

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

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

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

(5) Cash and cash equivalents

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

(6) Financial instruments

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

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

Financial assets

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

a. Measurement categories

Financial assets are classified into the following categories: Financial assets at

FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

① Financial assets at FVTPL

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

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

② Financial assets at amortized cost

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

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

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

③ Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

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

The loss allowance for accounts receivable is measured at an amount equal to lifetime expected credit losses. For all other financial assets, when the credit risk on the

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

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

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

c. Derecognition of financial assets

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

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

Equity instruments

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

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

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

Financial liabilities

a. Subsequent measurement

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

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

b. Derecognition of financial liabilities

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

Derivative financial instruments

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

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

(7) Inventories

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

(8) Investments accounted for using equity method

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

a. Investment in subsidiaries

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

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

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

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former

subsidiary at its fair value at the date when control is lost and (ii) the previous carrying amount of the investments in such subsidiary. In addition, the Company accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

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

b. Investment in associates

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

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

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

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

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

to retained earnings.

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

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

(9) Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

(10) Leases

a. The Company as lessee

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

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

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

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

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

b. The Company as lessor

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

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

(11) Investment properties

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

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

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

(12) Intangible assets

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

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

(13) Impairment of tangible and intangible assets other than goodwill

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

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

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

(14) Provisions

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

(15) Retirement benefits

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

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

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

(16) Revenue Recognition

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

a. Revenue from sale of goods

Revenue from sale of goods comes from sales of transformer, switchgear,

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

b. Construction contract revenue

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

(17) Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

c. Current and deferred tax

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated impairment of accounts receivables

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

As of December 31, 2020 and 2019, the carrying amounts of accounts receivable were NT\$1,818,631 thousand and NT\$1,459,897 thousand, respectively.

6. SIGNIFICANT ACCOUNTS DISCLOSURES

(1) Cash and cash equivalents

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

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

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

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

b. Outstanding forward exchange contracts consisted of the following:

	<u>Maturity Date</u>	<u>Contract Amount</u>
<u>2020.12.31</u>		
Sell NTD/Buy USD	2021.02.03-2021.04.15	USD 1,739 /NTD 50,624

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

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

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

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

(4) Notes receivable and accounts receivable

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

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

All notes receivable were not past due.

The following table details the loss allowance of accounts receivables:

2020.12.31

	Not Past Due	Past Due 0-3 Months	Past Due 3-6 Months	Past Due 6-9 Months	Past Due 9-12 Months	Past Due 1-2 Years	Past Due Over 2 Years	Total
Gross carrying amount	\$ 1,221,049	\$ 356,414	\$ 104,094	\$ 64,408	\$ 67,614	\$ 42,570	\$ 51,801	\$ 1,907,950
Loss allowance	(27,844)	(3,564)	(1,041)	(644)	(676)	(10,066)	(36,654)	(80,489)
Amortized cost	<u>\$ 1,193,205</u>	<u>\$ 352,850</u>	<u>\$ 103,053</u>	<u>\$ 63,764</u>	<u>\$ 66,938</u>	<u>\$ 32,504</u>	<u>\$ 15,147</u>	<u>\$ 1,827,461</u>

2019.12.31

	Not Past Due	Past Due 0-3 Months	Past Due 3-6 Months	Past Due 6-9 Months	Past Due 9-12 Months	Past Due 1-2 Years	Past Due Over 2 Years	Total
Gross carrying amount	\$ 901,141	\$ 351,493	\$ 112,639	\$ 73,754	\$ 29,248	\$ 75,545	\$ 87,707	\$ 1,631,527
Loss allowance	(9,011)	(5,883)	(4,282)	(10,287)	(13,725)	(45,708)	(73,940)	(162,836)
Amortized cost	<u>\$ 892,130</u>	<u>\$ 345,610</u>	<u>\$ 108,357</u>	<u>\$ 63,467</u>	<u>\$ 15,523</u>	<u>\$ 29,837</u>	<u>\$ 13,767</u>	<u>\$ 1,468,691</u>

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

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

(5) Other receivables, net

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

(6) Inventories

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

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

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

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

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

(7) Investments accounted for using equity method

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

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

a. Investments in subsidiaries

Subsidiaries consisted of the following:

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

The aforementioned subsidiaries were not listed companies.

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

b. Investments in associates

Associates consisted of the following:

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

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

Aggregate information of associates that are not individually material:

	2020.12.31	2019.12.31
Equity	<u>\$ 911,550</u>	<u>\$ 809,325</u>
	2020	2019
The Company's share of :		
Net income for the year	\$ 56,901	\$ 39,706
Other comprehensive income (loss)	(291)	(962)
Total comprehensive income for the year	<u>\$ 56,610</u>	<u>\$ 38,744</u>
Impairment loss recognized	<u>\$ 12,000</u>	<u>\$ 5,000</u>

(8) Property, plant and equipment

	2020.12.31	2019.12.31
Land	\$ 573,475	\$ 573,475
Buildings	199,644	208,435
Machinery and equipment	61,550	67,797
Transportation equipment	8,017	6,893
Other equipment	40,372	45,416
Construction in progress	91,103	—
Total carrying amounts	<u>\$ 974,161</u>	<u>\$ 902,016</u>

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

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

Buildings

3-55 years

~ 22 ~

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

- b. For the carrying amount of property, plant and equipment pledged as collateral for bank borrowings, please refer to Note 8.
- c. There were no capitalized interests for the years ended December 31, 2020 and 2019.
- d. As of December 31, 2020, the title of farmland with carrying amounts of NT\$308 thousand were temporarily registered in the name of Herr-Yeh Sung who had signed an agreement and had pledged the land to the Company.

(9) Right-of-use assets

	2020.12.31	2019.12.31
Buildings	\$ 293	\$ 527
Transportation equipment	—	1,793
Other equipment	8,661	11,259
Total carrying amounts	<u>\$ 8,954</u>	<u>\$ 13,579</u>

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

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

(10) Investment properties

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

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

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

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

(11) Intangible assets

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

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

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

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

(12) Other assets

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

(13) Short-term loans

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

(14) Provisions

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

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

(15) Long-term loans

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

(16) Retirement benefit plans

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the R.O.C. Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 8.9% of total monthly salaries and wages to a pension fund administered by the pension

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

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

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

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

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

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

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

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

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

	2020	2019
Current service cost	\$ 1,084	\$ 1,400
Net interest expense	453	762
Total	<u>\$ 1,537</u>	<u>\$ 2,162</u>

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

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

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

	Measurement Date	
	2020.12.31	2019.12.31
Discount rate	0.3%	0.6%
Expected rate of salary increase	1.8%	1.8%

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

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

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

(17) Equity

a. Ordinary shares

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

The par value is NT\$10 dollars.

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

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

b. Capital surplus

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

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

c. Retained Earnings and Dividend Policy

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

together with any undistributed retained earnings shall be used for distribution of dividends and bonuses to shareholders.

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

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

The appropriations of 2019 and 2018 earnings were as follows:

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

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

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

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

d. Special reserves

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

e. Other equity

	Exchange Differences on Translating Foreign Operation	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Total
Balance at January 1, 2020	\$ (11,606)	\$ 63,697	\$ 52,091
Exchange differences on translating foreign operation	114	—	114
Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	—	55,769	55,769
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	482	(27,278)	(26,796)
Balance at December 31, 2020	<u>\$ (11,010)</u>	<u>\$ 92,188</u>	<u>\$ 81,178</u>

	Exchange Differences on Translating Foreign Operation	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Total
Balance at January 1, 2019	\$ (7,271)	\$ 22,288	\$ 15,017
Exchange differences on translating foreign operation	(3,302)	—	(3,302)
Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	—	24,463	24,463
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	(1,033)	16,946	15,913
Balance at December 31, 2019	<u>\$ (11,606)</u>	<u>\$ 63,697</u>	<u>\$ 52,091</u>

f. Treasury stock

(In thousands of shares)

	2020.12.31	2019.12.31
Shares held by the subsidiaries	<u>2,555</u>	<u>2,434</u>

The Corporation's shares held by the subsidiary, Yishun Investment Co., Ltd., are

accounted for as treasury stock. As of December 31, 2020 and 2019, the book value of treasury stock were NT\$41,616 thousand; the market value of treasury stock were NT\$66,693 thousand and \$43,561 thousand, respectively.

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

(18) Operating revenue

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

(19) Operating cost

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

(20) Other income

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

(21) Other gains and losses

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

(22) Finance costs

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

(23) Additional information of expenses by nature

Net income included the following items:

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

Operating expenses directly related to investment properties:

	2020	2019
Direct operating expenses of investment properties that generated rental income	\$ 1,190	\$ 1,206
Direct operating expenses of investment properties that did not generated rental income	5	5
Total	<u>\$ 1,195</u>	<u>\$ 1,211</u>

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

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

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

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

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

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

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

(24) Income taxes

a. Income tax expense recognized in profit or loss

① Major components of income tax expense :

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

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

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

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

b. Deferred tax assets

The movements of deferred tax assets were as follows:

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

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

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

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

(25) Earnings per share

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

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

computation of earnings per share were as follows:

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

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

(26) Significant lease agreements

a. The Company as lessee

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

c. The Company as lessor

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

	2020.12.31	2019.12.31
Not later than 1 year	\$ 12,849	\$ 12,783
1-2 years	11,753	12,702
2-3 years	6,457	11,753
3-4 years	5,249	6,457
4-5 years	5,354	5,249
Later than 5 years	18,345	23,698
Total	\$ 60,007	\$ 72,642

(27) Capital management

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

(28) Financial instruments

a. Fair value of financial instruments

①The management of the Company considers that the carrying amounts of those

financial instruments that are not measured at fair value approximate their fair values or their fair values cannot be reliably measured.

② Financial instruments that are measured at fair value

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

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

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

	2020.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Listed shares	\$ 144	\$ —	\$ —	\$ 144
Unlisted shares	—	—	225,560	225,560
Total	<u>\$ 144</u>	<u>\$ —</u>	<u>\$ 225,560</u>	<u>\$ 225,704</u>
Financial liabilities at FVTPL	<u>\$ —</u>	<u>\$ 1,775</u>	<u>\$ —</u>	<u>\$ 1,775</u>
	2019.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Listed shares	\$ 171	\$ —	\$ —	\$ 171
Unlisted shares	—	—	166,839	166,839
Total	<u>\$ 171</u>	<u>\$ —</u>	<u>\$ 166,839</u>	<u>\$ 167,010</u>

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

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

	Financial assets at FVTOCI	
	2020	2019
Balance, beginning of the year	\$ 166,839	\$ 142,409
Acquisition of financial assets at FVTOCI	2,925	—
Accounted for unrealized gains from investments in equity instruments measured at FVTOCI	<u>55,796</u>	<u>24,430</u>
Balance, end of the year	<u>\$ 225,560</u>	<u>\$ 166,839</u>

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

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

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

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

b. Categories of financial instruments

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

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

c. Financial risk management objectives and policies

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

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

d. Market risk

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

① Foreign currency risk

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

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

	2020.12.31					
			Carrying Amounts	Sensitivity Analysis		
	Foreign Currencies	Exchange Rate	(NTD)	Variations	Impact on Profit (loss)	Impact on Equity
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 10,084	28.10	283,351	±10%	±28,335	±28,335
EUR	38	34.59	1,321	±10%	±132	±132
JPY	2	0.2725	1	±10%	—	—
SGD	474	21.27	10,084	±10%	±1,008	±1,008
RMB	8,197	4.325	35,452	±10%	±3,545	±3,545
<u>Non-monetary items</u>						
RMB	18,678	4.325	80,782	±10%	—	±8,078
ZAR	4,861	1.921	9,338	±10%	—	±934
EUR	373	34.59	12,902	±10%	—	±1,290
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	1,173	28.10	32,972	±10%	∓3,297	∓3,297
EUR	467	34.59	16,148	±10%	∓1,615	∓1,615
RMB	1,947	4.325	8,422	±10%	∓842	∓842

2019.12.31						
			Carrying Amounts	Sensitivity Analysis		
	Foreign Currencies	Exchange Rate	(NTD)	Variations	Impact on Profit (loss)	Impact on Equity
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 11,558	29.99	346,632	±10%	±34,663	±34,663
EUR	40	33.64	1,338	±10%	±134	±134
JPY	2	0.2761	1	±10%	—	—
SGD	572	22.26	12,739	±10%	±1,274	±1,274
RMB	6,575	4.295	28,238	±10%	±2,824	±2,824
<u>Non-monetary items</u>						
RMB	20,233	4.295	86,901	±10%	—	±8,690
ZAR	2,189	2.12	4,641	±10%	—	±464
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	447	29.99	13,412	±10%	∓1,341	∓1,341
EUR	32	33.64	1,073	±10%	∓107	∓107
JPY	11,187	0.2761	3,089	±10%	∓309	∓309
RMB	146	4.295	628	±10%	∓63	∓63

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

② Interest rate risk

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

For sensitivity analysis of interest rate risk, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. If interest rates had been a quarter of a percent higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would decrease/increase by NT\$1,838 thousand and NT\$1,845 thousand, respectively.

③ Other price risk

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

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

If equity prices had been 5% higher/lower, the other comprehensive income for the years ended December 31, 2020 and 2019 would have increased/decreased by NT\$11,285 thousand and NT\$8,351 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

e. Credit risk management

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

① Business related credit risk

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

As of December 31, 2020 and 2019, the Company's ten largest customers accounted for 68.35% and 88.99% of its total accounts receivables, respectively.

② Financial credit risk

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

f. Liquidity risk management

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the amount of unused financing facilities were NT\$2,446,353 thousand and NT\$2,627,286 thousand, respectively.

① Liquidity risk table for non-derivative financial liabilities

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

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

② Liquidity risk table for derivative financial liabilities

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

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

7. TRANSACTIONS WITH RELATED PARTIES

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

(1) Names and relationships of related parties

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

Related Party	Relationship with the Company
Hengyuan Allis Electric Co., Ltd.	Subsidiary
PHD Powerhouse Distributions (PTY) Ltd.	Subsidiary (Note)
AEC International S.r.l (AEC)	Subsidiary
Nissin-Allis Electric Co., Ltd.	Associate
Nissin Allis Union Ion Equipment Co., Ltd.	Associate
Le-Min Industrial Co., Ltd.	Related party in substance
Taiwan Marine Electric Co., Ltd.	Related party in substance
Impact Power Inc.	Related party in substance
Herr-Yeh Sung	Key management personnel

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

(2) Operating revenue

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

(3) Purchase and factory overhead

Line Items	Related Parties Categories	2020	2019
Purchase and factory overhead	Subsidiaries	\$ 243,532	\$ 220,939
	Associates	116,856	107,633
	Others	155,617	137,159
		<u>\$ 516,005</u>	<u>\$ 465,731</u>

(4) Receivables from related parties

Line Items	Related Parties Categories	2020.12.31	2019.12.31
Notes receivable from related parties	Others	<u>\$ 613</u>	<u>\$ 5,094</u>
Accounts receivable from related parties	Subsidiaries	\$ 52,675	\$ 975
	Associates	12,766	30,772
	Others	237	1,351
		<u>\$ 65,678</u>	<u>\$ 33,098</u>

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

The outstanding receivables from related parties are unsecured.

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

(5) Payable to related parties

Line Items	Related Parties Categories	2020.12.31	2019.12.31
Accounts payable to related parties	Subsidiaries	\$ 77,714	\$ 74,757
	Associates	39,853	10,527
	Others	45,279	32,056
		<u>\$ 162,846</u>	<u>\$ 117,340</u>
Other payables	Subsidiaries	\$ 562	\$ 747
	Others	567	1,053
		<u>\$ 1,129</u>	<u>\$ 1,800</u>

(6) Others

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

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

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

The financing provided to AEC and Qingdao Liming are unsecured.

(8) Compensation of key management personnel

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

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

(9) Other

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

8. PLEDGED ASSETS

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

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

- a. The guaranteed notes issued for bank loans were NT\$1,750,000 thousand.
- b. The guaranteed notes issued for sales contracts performance guarantees were NT\$228,575 thousand.

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

(3) Unused letters of credit were USD\$2,146 thousand.

10. SIGNIFICANT LOSS FROM DISASTERS: None.

11. SIGNIFICANT SUBSEQUENT EVENTS: None.

12. OTHERS: None.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions:

- a. Financing provided to others: Please refer to Table 1 attached.
- b. Endorsements/guarantees provided: Please refer to Table 2 attached.
- c. Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): Please refer to Table 3 attached.
- d. Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- e. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- f. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 4 attached.
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- i. Trading in derivative instruments : Please refer to Note 6(2).

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

(3) Information on investment in mainland China:

- a. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Please refer to Table 6 attached.

- b. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please refer to Note 7.

(4) Information of major shareholder

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

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

Table 1

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

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

Note 2: The aggregate amount available for lending to others should not exceed 20% of the Company's net equity.

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

Table 2

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

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

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

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

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

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

Table 3

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

Allis Electric Co., Ltd. and Subsidiaries

MARKETABLE SECURITIES HELD
(Excluding Investment in Subsidiaries, Associates And Joint Controlled Entities)
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

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

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

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

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

Table 4

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

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

Table 5

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

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

(loss).

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

Table 6

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

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

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

Allis Electric Co., Ltd.

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Allis Electric Co., Ltd.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Statement 1

Item	Amount
Petty cash and cash on hand	\$ 900
Cash in banks	
Checking accounts	2,012
Demand deposits	326,008
Foreign currency deposits (Note)	98,846
Cash equivalents- Time deposits with original maturities less than one year	28,100
Total	\$ 455,866

Note : Including US\$2,413 thousand, EUR38 thousand, JPY2 thousand RMB4,585 and SGD465 thousand at exchange rates USD\$1=NT\$28.10、EUR\$1=NT\$34.59、JPY\$1=NT\$0.2725、CNY\$1= NT\$4.325 and SGD\$1= NT\$21.27, respectively.

Allis Electric Co., Ltd.
STATEMENT OF FINANCIAL ASSETS AT FVTOCI-CURRENT
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Statement 2

Financial instrument name	Shares	Par value (NT\$)	Total Amount	Cost	Fair Value		Pledge
					Unit Price (NT\$)	Total Amount	
Ordinary shares :							
Stocks of FIC Global, Inc.	1,273	10	\$ 13	\$ 30	13.75	\$ 17	Nil
Stocks of Taiwan High Speed Rail Corporation	4,000	10	40	40	31.70	127	Nil
Total			\$ 53	\$ 70		\$ 144	

Allis Electric Co., Ltd.
STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Statement 3

Client Name	Amount
Yuan Lih Electrical Engineering Co., Ltd.	\$ 10,254
Liu Ho Engineering Co.	8,041
Taiwan Power Engineering Co., Ltd	3,653
Fu Shyang Electric Co., Ltd.	7,198
Fhua-Hsing Electricity Engineering Co., Ltd.	18,048
Land Far Electric Co., Ltd.	4,463
Others (The amount of individual client does not exceed NT\$3,212 thousand)	12,587
Total	64,244
Less: Allowance for impairment loss	(352)
Notes receivable, net	\$ 63,892

Allis Electric Co., Ltd.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Statement 4

Client Name	Amount
Taiwan Semiconductor Manufacturing Company Limited	\$ 220,521
Taiwan Power Company	404,317
Nippon Signal Co., Ltd. Taipei Branch	169,522
Chang Jia M & E Engineering Co.	92,765
Others (The amount of individual client does not exceed NT\$91,672 thousand)	<u>946,317</u>
Total	1,833,442
Less: Allowance for impairment loss	<u>(80,489)</u>
Accounts receivable, net	<u><u>\$ 1,752,953</u></u>

Allis Electric Co., Ltd.
STATEMENT OF INVENTORIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Statement 5

Item	Amount	
	Cost	Net Realizable Value
Finished goods	\$ 234,331	\$ 284,896
Work in process	229,495	485,004
Raw materials	448,732	448,732
Inventory in transit	29,224	29,224
Inventories, net	<u>\$ 941,782</u>	<u>\$ 1,247,856</u>

Allis Electric Co., Ltd.
STATEMENT OF PREPAYMENTS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Statement 6

Item	Descriptions	Amount
Prepayment for purchases	Down payment	\$ 9,788
Prepayment for bank guarantee charge	Performance guarantee fee and loan guarantee fee, etc.	13,102
Overpaid Sales Tax		4,765
Others	Prepaid Insurance and prepaid sales tax, etc.	<u>7,103</u>
Total		<u><u>\$ 34,758</u></u>

Allis Electric Co., Ltd.
STATEMENT OF FINANCIAL ASSETS AT FVTOCI-NONCURRENT
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Statement 7

Financial instrument name	Balance, January 1, 2020		Increase in 2020		Decrease in 2020		Balance, December 31, 2020		Collateral or Pledge
	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Fair value	
Ordinary shares									
Le-Min Industrial Co., Ltd.	1,948,072	\$ 32,377	—	\$ 13,637	—	\$ —	1,948,072	\$ 46,014	Nil
Arch Meter Corporation	1,431,000	11,705	117,000	15,911	—	—	1,548,000	27,616	Nil
Tangeng Advanced Vehicles Co., Ltd.	7,440,000	110,782	—	27,007	—	—	7,440,000	137,789	Nil
Leadtang Technology Co., Ltd.	1,000,000	10,290	—	90	—	—	1,000,000	10,380	Nil
ProMOS Technologies Inc	133,336	1,241	—	1,019	—	—	133,336	2,260	Nil
Advantage International Green Energy Co., Ltd.	—	444	—	1,057	—	—	—	1,501	Nil
		<u>\$ 166,839</u>		<u>\$ 58,721</u>		<u>\$ —</u>		<u>\$ 225,560</u>	

Allis Electric Co., Ltd.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Statement 8

Investee Company	Balance, January 1, 2020		Increase (Decrease) in 2020		Share of Profit (Loss)	Remeasurement of defined benefit plans	Unrealized gross profit on sales	Capital Surplus	Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	Exchange differences on translating foreign operation	Balance, December 31, 2020				
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount							Shares (In Thousands)	Percentage of ownership	Amount	Share of equity	Collateral or Pledge
Air King Industrial Co., Ltd.	4,114	\$ 49,324	—	\$ (1,193) (Note1)	\$ 8,609	\$ (200)	\$ —	\$ —	\$ —	\$ —	4,114	83.12%	\$ 56,540	\$ 56,540	Nil
Nissin-Allis Electric Co., Ltd.	9,000	173,028	—	(7,200) (Note1)	32,670	(507)	(394)	—	—	—	9,000	30.00%	197,597	198,052	Nil
Ares Technology Co., Ltd.	6,785	64,023	15	454 (Note2)	(1,884)	(119)	—	—	—	—	6,800	100.00%	62,474	62,474	Nil
Allis Communications Co., Ltd.	7,686	37,768	—	—	(2,978)	—	—	—	1,199	—	7,686	76.86%	35,989	35,989	Nil
Yishun Investment Co., Ltd.	17,990	86,730	—	—	311	—	—	1,703	10,316	—	17,990	99.94%	99,060	165,753	Nil
Nissin Allis Union Ion Equipment Co., Ltd.	4,000	88,821	—	(10,204) (Note1)	21,718	(266)	—	—	—	482	4,000	40.00%	100,551	100,551	Nil
Qingdao Liming Industry Co., Ltd.	—	78,125	—	—	(7,505)	—	—	—	1,380	625	—	65.38%	72,625	72,625	Nil
Hengyuan Allis Electric Co., Ltd.	—	8,776	—	—	(729)	—	(2,278)	—	—	109	—	65.38%	5,878	8,156	Nil
Allis International Inc.	—	6,465	—	(5,969) (Note4)	(496)	—	—	—	—	—	3,630	100.00%	—	—	Nil
AYM International Coporation	3,630	—	—	—	—	—	—	—	—	—	—	40.00%	—	—	Nil
PHD Powerhouse Distributions (PTY) Ltd.	45	14,166	45	19,208 (Note2)	(13,325)	—	(176)	—	—	(518)	90	90.00%	19,355	9,339	Nil
AEC International S.r.l.	—	—	300	12,574 (Note3)	444	—	(1,737)	—	—	(102)	—	100.00%	11,179	12,915	Nil
Intelicis Corporation	—	—	—	—	—	—	—	—	—	—	—	29.16%	—	—	Nil
		<u>\$ 607,226</u>		<u>\$ 7,670</u>	<u>\$ 36,835</u>	<u>\$ (1,092)</u>	<u>\$ (4,585)</u>	<u>\$ 1,703</u>	<u>\$ 12,895</u>	<u>\$ 596</u>			<u>\$ 661,248</u>	<u>\$ 722,394</u>	

Note 1: Cash dividends received.

Note 2: Increase investment.

Note 3: Capital contributed by assigning the monetary claim.

Note 4: Proceeds from liquidation.

Allis Electric Co., Ltd.
STATEMENT OF REFUNDABLE DEPOSITS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Statement 9

Item	Descriptions	Amount
Taiwan Power Company	Performance bonds, warranty bonds, and tender bonds, etc.	\$ 18,727
Sewerage Systems Office, Public Works Department, Taipei City Government	Performance bonds, warranty bonds, etc.	4,673
Chunghwa Telecom Co., Ltd.	Performance bonds, warranty bonds, etc.	7,314
Others (The amount of each item does not exceed NT\$2,246 thousand)	Deposits	14,207
Total		\$ 44,921

Allis Electric Co., Ltd.
STATEMENT OF SHORT-TERM LOANS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Statement 10

Bank	Type	Amount	Period of the Contract	Range of Interest Rate	Loan Commitments	Collateral or Pledge
Bank of Taiwan	Unsecured loans	\$ 100,000	2020/12/22~2021/03/23	1.00%	200,000	Nil
Mega Bank	Unsecured loans	40,000	2020/11/25~2021/02/23	1.06%	400,000	Land 、buildings and machinery
Taiwan Cooperative Bank	Secured loans	40,000	2020/04/27~2021/04/27	1.10%	460,000	Land and buildings
Bank SinoPac	Secured loans	80,000	2020/11/20~2021/01/19	1.00%	1,115,000	Land and buildings
	Unsecured loans	100,000	2020/11/18~2021/01/15	1.00%		
First Commercial Bank	Unsecured loans	85,000	2020/12/24~2021/03/24	0.95%	300,000	Nil
Hua Nan Commercial Bank Ltd	Secured loans	190,000	2020/10/27~2021/02/25	1.03%	350,000	Land and buildings
Chang Hua Commercial Bank, Ltd.	Secured loans	100,000	2020/10/30~2021/01/29	1.05%	1,000,000	Land
		<u>\$ 735,000</u>				

Allis Electric Co., Ltd.
STATEMENT OF ACCOUNTS PAYABLES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Statement 11

Client Name	Amount
Monisun International Co., Ltd.	\$ 174,293
Mercuries Data Systems Ltd.	49,727
Others (The amount of individual client does not exceed NT\$49,552 thousand)	<u>767,023</u>
Total	<u><u>\$ 991,043</u></u>

Allis Electric Co., Ltd.
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Statement 12

Item	Descriptions	Amount
Salaries and wages payable	Salaries and bonus	\$ 113,653
Others (The amount of each item does not exceed NT\$10,255 thousand)	Commissions payable and equipment payable, etc.	91,447
Total		<u>\$ 205,100</u>

Allis Electric Co., Ltd.
STATEMENT OF LONG-TERM LOANS
(In Thousands of New Taiwan Dollars)

Statement 13

Bank	Amount	Period of the Contract	Range of Interest Rate	Loan Commitments	Collateral or Pledge
Taiwan Cooperative Bank	<u>\$ 47, 000</u>	2020/12/24~2021/12/24	1. 40%	460, 000	Land and buildings

Allis Electric Co., Ltd.
STATEMENT OF OPERATING REVENUES FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Statement 14

Item	Quantities	Unit price	Amount
Revenue from sale of goods:			
Power and electrical equipment	7,208 set @	172.34	\$ 1,242,244
Transmission and Distribution apparatus	24,580 set @	42.89	1,054,210
Switchgear	8,082 set @	121.45	981,519
Transformer	3,127 pcs @	135.89	424,916
Installation			220,660
Others			142,404
			<u>4,065,953</u>
Less: Sales return			450
Sales allowance			<u>2,512</u>
Net revenue from sale of goods			4,062,991
Construction contract revenue			935,066
Other operating revenue:			
Technical service revenue			<u>14,311</u>
Net operating revenue			<u><u>\$ 5,012,368</u></u>

Allis Electric Co., Ltd.
STATEMENT OF OPERATING COST FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Statement 15

Item	Amount	
	Subtotal	Total
Cost of goods sold :		
Raw materials used		\$ 4,244,631
Raw materials, beginning of year	\$ 518,969	
Inventory in transit, beginning of year	1,774	
Add: Raw material purchased	3,614,329	
Freight in	19,351	
Transferred from finished goods	660,782	
Inventory overage	6	
Less: Raw materials, end of year	448,732	
Inventory in transit, end of year	29,224	
Raw materials sold	92,624	
Direct labor		134,485
Factory overhead		280,495
Manufacturing cost		4,659,611
Add: Work-in-process, beginning of year		286,832
Adjusted standard cost of work-in-process		20,419
Less: Work-in-process, end of year		229,495
Transferred to additional cost		5,047
Transferred to factory overhead		3,778
Transferred to research and development expenses		28,266
Cost of finished goods		4,700,276
Add: Finished goods, beginning of year		338,372
Less: Finished goods, end of year		234,331
Add: Raw materials sold		92,624
Additional cost		5,047
Less: Transferred to raw materials		660,782
Transferred to construction contract cost		883,821
Adjusted standard cost of finished goods		54,956
Inventory shortage		481
Allocation of standard cost variances		15,890
Subtotal		3,286,058
Add: After-sale service cost		3,930
Inventory shortage		475
Less: Revenue from sale of scraps		1,475
Cost of goods sold		3,288,988
Construction contract cost		883,821
Technical service cost		10,060
Total		\$ 4,182,869

Allis Electric Co., Ltd.
STATEMENT OF SELLING AND MARKETING EXPENSES, GENERAL AND ADMINISTRATIVE
EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Statement 16

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salary and related expense	\$ 148,037	\$ 66,139	\$ 47,547	\$ 261,723
Travelling Expense	12,174	1,352	561	14,087
Freight-out	13,431	66	51	13,548
Insurance expense	14,542	4,309	3,597	22,448
Depreciation expense	235	12,730	3,466	16,431
Material expense	—	—	23,487	23,487
Experimental manufacturing expense	—	—	9,581	9,581
Others (Note)	<u>44,067</u>	<u>40,651</u>	<u>11,482</u>	<u>96,200</u>
Total	<u>\$ 232,486</u>	<u>\$ 125,247</u>	<u>\$ 99,772</u>	<u>\$ 457,505</u>

(Note) The amount of each item in others does not exceed 5% of the account balance.

Allis Electric Co., Ltd.
STATEMENT OF EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION
BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

Statement 17

	2020			2019		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits expense						
Salary	\$ 268,497	\$ 238,207	\$ 506,704	\$ 241,880	\$ 241,059	\$ 482,939
Labor and health insurance	22,536	20,139	42,675	22,359	20,583	42,942
Pension	9,407	10,652	20,059	9,431	10,694	20,125
Board compensation	—	12,864	12,864	—	11,724	11,724
Others	14,459	9,397	23,856	14,514	8,701	23,215
Depreciation	22,504	16,431	38,935	20,784	16,527	37,311
Amortization	1,992	1,346	3,338	2,105	1,344	3,449

Note 1. For the years ended December 31, 2020 and 2019, the Company had 644 and 638 monthly average number of employees, respectively, which included 6 non-employee directors for both years.

2. Average employee benefits expense for the years ended December 31, 2020 and 2019 were \$930 thousand and \$901 thousand, respectively. Average salary for the years ended December 31, 2020 and 2019 were \$794 thousand and \$764 thousand, respectively. The average salary changed by 3.93% year over year.

3. The Company did not have supervisors for the years ended December 31, 2020 and 2019. Therefore, there was no compensation to the supervisor.

4. The Company's compensation and remuneration policy:

A. Remuneration to Directors is paid with reference to the typical pay level. According to the Company's Articles of Incorporation, if there is profit in any given fiscal year, compensation and remuneration to directors is accrued and reviewed by the Compensation Committee and the Board of Directors. The compensation arrangement shall be reported in the shareholders' meeting. Directors who also serve as executive officers will receive compensation based on the following rules B & C.

B. The compensation and remuneration of executive officers is guided in accordance with the Company's "Rules for Distribution of Salaries and Bonus to Employees (including the executive officers)". Executives' compensation are based on individual performance, their contribution to the Company's overall performance and industry standards. It is reviewed by the Compensation Committee and consequently reward the executive officers with the approval of the Board of

Directors.

- C. The compensation and remuneration of employees is based on individual competence, contribution, and performance appraisal results, which shows positive relation to the Company's overall performance. The compensation program includes base salary, bonus & profit sharing, and benefits. Base salary is determined by roles & responsibilities, current market salary standards and Company's policy. Bonus & profit sharing are in relation to individuals' contribution, achievements of departmental targets or the Company's performance. Benefits are not intended to only meet regulations and requirements but also designed to meet individuals' needs and for mutual good of all employees.