Stock No: 4532

RECHI PRECISION CO., LTD.

Individual Financial Statements and Independent Auditor's Report

2020 and 2019

Address: No. 943, Sec. 2, Chenggong Rd., Guanyin Dist., Taoyuan City 328, Taiwan (R.O.C.)

TEL: (03)483-7201

The independent auditors' review report and the accompanying Individual Financial Statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and Individual Financial Statements, the Chinese version shall prevail.

§Table of Contents§

Item			Page	Notes to financial the statements No.
1.	Cover		1	-
2.	Table of Contents		2	-
3.	Auditor's Report		3–6	-
4.	Individual Balance Sheet		7	-
5.	Individual comprehensive income statements		8–10	-
6.	Individual statement of changes in equity		11	-
7.	Individual Cash Flow Statement		12–13	-
8.	Notes to the individual financial statements			
	(1)	Organization and operations	14	1
	(2)	Financial reporting date and procedures	14	2
	(3)	Application of new and revised standards and interpretation	14–18	3
	(4)	Summary of significant accounting policies	18–29	4
	(5)	Main source of significant accounting judgment, estimates and assumptions uncertainty	29	5
	(6)	Summary of significant accounting titles	29–56	6–23
	(7)	Related party transactions	56–59	24
	(8)	Pledged assets	60	25
	(9)	Significant contingent liabilities and unrecognized contractual commitments	60	26
	(10)	Significant disaster loss	-	-
	(11)	Significant subsequent events	-	-
	(12)	Other information	60	27
	(13)	Information of foreign currency assets and liabilities with significant effects	60–62	28
	(14)	Notes of disclosure		
		1. Information about important transactions	62	29
		2. Information regarding investees	63	29
		3. Information regarding investment in the territory of Mainland China	63	29
		4. Information on Major Shareholders	63	29
	(15)	Segment information	-	-
9.	Statements of significant accounting titles		78–89	-

Auditor's Report

To RECHI PRECISION CO., LTD.:

Audit opinions

We have audited the accompanying individual balance sheet of RECHI PRECISION CO., LTD. (the "Company") as of December 31, 2020 and 2019, and the related individual statement of income, individual statement of changes in shareholders equity, individual statement of cash flows, and notes to the individual financial statements (including major accounting policy) for the years then ended.

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019 and for the years then ended, and its individual financial performance and its individual cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The basis for opinions

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the separate financial statements. We are independent of the Company 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 believed 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 individual financial statements of the Company in 2020. These matters were addressed in the content of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

The key audit matters of the 2020 individual financial statements of the Company are described as follows:

Estimating impairments on accounts receivable

The Company's net accounts receivable from non-related parties as of December 31, 2020 were NT$2,257,126 thousand, which was material to the financial statements. The impairment assessment of accounts receivable is based on assumptions on default rate and expected loss rate, while by considering historical experience, current market conditions, and forward-looking information to make assumptions and select inputs for impairment assessment. If the actual future cash flows are less than expected, a material impairment loss may have resulted.

Because of the materiality of the balances of such accounts and the critical judgments that must be exercised by the management during the assessment, the assessment of impairment of accounts receivable is a key audit item.

For the major sources and relevant disclosures of the uncertainties of accounting policies and significant accounting judgement, estimates, and assumptions related to accounts receivable, please refer to Notes 4, 5, and 8 of the individual financial statements.

The main audit procedures that we have implemented for the impairment assessment of accounts receivable above are as follows:

1. Understand the allowance policy for the estimated impairment of accounts receivable put forth by the management, test the correctness of the aging of the balance of accounts receivable, and check the correctness of the amount of allowance for loss put forth by the management.
2. Evaluate the reasonableness of the expected credit loss rate based on the status of recovery of account receivables from customers and relevant forward-looking information, while considering the current year's recovery of receivables and other available information to evaluate the reasonableness of the loss allowance.
3. Evaluate the status of recovery of the overdue accounts receivable in cash after the deadline to consider whether it is necessary to provide additional loss allowances.

Responsibilities of Management and Those in Charge of Governance of the Individual Financial Statements

Management is responsible for the preparation and fair presentation of the individual 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 individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual financial statements, the management is responsible for assessing the ability of the Company in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Company or cease the operations without other viable alternatives.

The governing body of the Company (including the Audit Committee) are responsible for supervising the financial reporting process.

Auditor's Responsibilities for the Audit of the Individual Financial Statements

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

As part of an audit in accordance with the accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design, and perform audit procedures responsive risks, and obtain evidence that is sufficient and appropriate to provide a basis of 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. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the individual statements, including related notes, whether the individual statements represent the underlying transactions and events in a matter that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Company in order to express an opinion on the individual financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Company.

We communicate with those in charge of 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 in charge of 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 the governing body, we determined the key audit matters for the audit of the Company's individual financial statements for the year ended December 31, 2020. We describe these matters in our auditor's 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 communications.

Deloitte & Touche

CPA TSAI, CHEN TSAI

CPA CHANG, CHING FU

Securities and Futures Bureau Approval Document No.
Tai-Cai-Zheng (6) Zi No. 0920123784

Securities and Futures Bureau Approval Document No.
Tai-Cai-Zheng (6) Zi No. 0920123784

March 22, 2021

RECHI PRECISION CO., LTD.

Individual Balance Sheet

December 31, 2020 and 2019

Unit: NT$1 thousand

Code	Assets	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 & 6)	$ 230,166	1	$ 71,974	-
1120	The financial assets measured for the fair values through other comprehensive income – current (Notes 4 & 7)	1,067,276	6	639,810	4
1150	Notes receivable – non-related parties (Notes 4 & 8)	193,861	1	182,376	1
1160	Notes receivable – related parties (Notes 4 & 24)	-	-	9	-
1170	Notes receivable – non-related parties (Notes 4, 5 & 8)	2,257,126	13	2,315,355	14
1180	Accounts receivable – related parties (Notes 4 & 24)	28,439	-	25,917	-
1200	Other receivables	5,874	-	27	-
1210	Other receivables – related parties (Note 24)	936,965	5	419,761	3
130X	Inventory (Note 4 and 9)	425,313	3	380,617	2
1410	Prepayments	25,062	-	24,485	-
1470	Other current assets	1,514	-	4,241	-
11XX	Total current assets	5,171,596	29	4,064,572	24
	Non-Current assets				
1550	Investment accounted for using equity method (Notes 4 & 10)	11,930,726	66	11,728,422	70
1600	Property, plant and equipment (Notes 4, 11 & 25)	735,790	4	627,170	4
1755	Right-of-use assets (Notes 4 & 12)	1,811	-	1,294	-
1780	Other intangible assets (Note 4)	25,749	-	23,260	-
1840	Deferred income tax assets (Note 4 & 19)	133,600	1	184,673	1
1990	Other non-current assets	26,848	-	128,473	1
15XX	Total non-current assets	12,854,524	71	12,693,292	76
1XXX	Total assets	$ 18,026,120	100	$ 16,757,864	100

Code	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Note 13)	$ 706,849	4	$ 335,900	2
2110	Short-term notes payable (Note 13)	499,854	3	-	-
2170	Accounts payable – non-related parties	28,739	-	18,183	-
2180	Accounts payable – related parties (Note 24)	2,267,932	12	2,353,587	14
2200	Other payables (Notes 14 & 24)	328,618	2	253,173	2
2230	Income tax liability (Notes 4 & 19)	148,927	1	75,887	-
2280	Lease liabilities – current (Note 4 & 12)	838	-	1,254	-
2365	Refund liabilities – current (Note 17)	73,681	-	92,264	1
2399	Other current liabilities	155,123	1	17,571	-
21XX	Total of current liabilities	4,210,561	23	3,147,819	19
	Non-current liabilities				
2541	Short-term borrowings (Notes 13 & 25)	3,199,080	18	4,001,000	24
2542	Long-term notes payable (Note 13)	999,546	6	998,879	6
2570	Deferred tax liabilities (Note 4 & 19)	724,995	4	630,215	4
2580	Lease liabilities – non-current (Note 4 & 12)	950	-	71	-
2640	Net defined benefit liabilities (Note 4 & 15)	52,253	-	54,727	-
2670	Other non-current liabilities	492	-	292	-
25XX	Total non-current liability	4,977,316	28	5,685,184	34
2XXX	Total liabilities	9,187,877	51	8,833,003	53
	Equity (Notes 16 & 21)				
3110	Common stock	5,049,151	28	5,060,131	30
3200	Capital reserves	1,343,868	7	1,351,403	8
	Retained earnings				
3310	Statutory surplus reserves	923,331	5	857,735	5
3320	Special surplus reserves	1,199,368	7	863,535	5
3350	Undistributed earnings	1,066,053	6	1,025,691	6
3300	Total retained earnings	3,188,752	18	2,746,961	16
3400	Other equity	(743,222)	(4)	(1,199,368)	(7)
3500	Treasury shares	(306)	-	(34,266)	-
3XXX	Total equity	8,838,243	49	7,924,861	47
	Total Liabilities and Equity	$ 18,026,120	100	$ 16,757,864	100

The notes attached shall constitute an integral part of this individual financial statement.

Chairman: CHEN, SHENG TIEN Manager: FENG, MING FA Accounting Manager: WU, CHIN MEI

RECHI PRECISION CO., LTD.

Individual Income Statement

For the Years Ended December 31, 2020 and 2019

Unit: NTD thousand, except Earnings Per Share (NTD)

Code		2020 Amount	2020 %	2019 Amount	2019 %
4110	Operating income (Notes 4, 17 & 24)	$ 8,729,536	100	$ 8,483,558	100
5000	Operating cost (Notes 9, 18 & 24)	(7,993,262)	(92)	(7,400,750)	(87)
5900	Gross profit	736,274	8	1,082,808	13
5920	Realized loss on subsidiaries	-	-	(11,650)	-
5950	Realized gross profits	736,274	8	1,071,158	13
	Operating expenses (Notes 18 & 24)				
6100	Marketing expenses	(151,582)	(2)	(355,678)	(4)
6200	Administrative expenses	(205,517)	(2)	(213,572)	(3)
6300	Research and development expenses	(183,825)	(2)	(234,834)	(3)
6450	Expected credit impairment loss (Note 8)	(2,117)	-	(398)	-
6000	Total operating expenses	(543,041)	(6)	(804,482)	(10)
6900	Net Operating Income	193,233	2	266,676	3
	Non-operating income and expense (Notes 18 & 24)				
7100	Interest revenue	11,192	-	8,983	-
7010	Other income	43,227	-	49,424	1
7020	Other profits and losses	(29,253)	-	35,947	1
7050	Financial costs	(73,021)	(1)	(65,579)	(1)
7070	Share of profit or loss on subsidiaries accounted for using the equity method	744,577	9	527,410	6
7000	Total non-operating revenues and expenses	696,722	8	556,185	7

(Continued on next page)

(Continued from previous page)

Code		2020 Amount	2020 %	2019 Amount	2019 %
7900	Net profit before tax	$ 889,955	10	$ 822,861	10
7950	Income tax expenses (Note 19)	(180,464)	(2)	(166,901)	(2)
8200	Net profits of the current year	709,491	8	655,960	8
	Other comprehensive income				
8310	Titles not reclassified as profit and loss accounts:				
8311	Remeasurement of defined benefit plan (Note 15)	636	-	(220)	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive profit or loss (Note 16)	427,466	5	29,677	-
8330	Share of other comprehensive income on subsidiaries accounted for using the equity method (Note 16)	146	-	(3,027)	-
8349	Income tax related to titles not subject to reclassification (Note 19)	(85,620)	(1)	(5,891)	-
		342,628	4	20,539	-
8360	Accounts to be reclassified to profit or loss subsequently:				
8361	Exchange differences from the translation of financial statements of foreign operations (Note 16)	141,393	1	(443,132)	(5)
8399	Income tax related to items that may be reclassified (Note 16 & 19)	(27,366)	-	86,584	1
		114,027	1	(356,548)	(4)
8300	Other comprehensive income of the current year (net amount after taxation)	456,655	5	(336,009)	(4)
8500	Total amount of comprehensive income of the current year	$ 1,166,146	13	$ 319,951	4

(Continued on next page)

(Continued from previous page)

Code		2020 Amount	2020 %	2019 Amount	2019 %
	Earnings per share (Note 20)				
	Business units in continuing operation				
9710	Basic	$ 1.41		$ 1.30	
9810	Diluted	$ 1.40		$ 1.29	

The notes attached shall constitute an integral part of this individual financial statement.

Chairman: CHEN, SHENG TIEN Manager: FENG, MING FA Accounting Manager: WU, CHIN MEI

RECHI PRECISION CO., LTD.

Individual Statements of Changes in Shareholders' Equity

For the Years Ended December 31, 2020 and 2019

Unit: NT$1 thousand

Code		Capital stock			Retained earnings			Other equity			
		Shares (in thousand shares)	Amount	Capital reserves	Statutory surplus reserves	Special surplus reserves	Undistributed earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized gain on financial assets at fair value through other comprehensive profit or loss	Treasury shares	Total equity
A1	Balance as of January 1, 2019	506,013	$ 5,060,131	$ 1,338,059	$ 747,592	$ 570,493	$ 1,378,990	($ 719,013)	($ 144,522)	($ 34,266)	$ 8,197,464
	Dividend allocation and distribution for 2018										
B1	Statutory surplus reserves	-	-	-	110,143	-	(110,143)	-	-	-	-
B3	Special surplus reserves	-	-	-	-	293,042	(293,042)	-	-	-	-
B5	Cash dividend	-	-	-	-	-	(605,898)	-	-	-	(605,898)
M7	Changes in the ownership equity on a subsidiary	-	-	11,693	-	-	-	-	-	-	11,693
C3	Generated as a result of endowments	-	-	1,651	-	-	-	-	-	-	1,651
D1	Net profits of the 2019	-	-	-	-	-	655,960	-	-	-	655,960
D3	Other comprehensive net income in 2019	-	-	-	-	-	(176)	(356,548)	20,715	-	(336,009)
D5	Total profit and loss in 2019	-	-	-	-	-	655,784	(356,548)	20,715	-	319,951
Z1	Balance as of December 31, 2019	506,013	5,060,131	1,351,403	857,735	863,535	1,025,691	(1,075,561)	(123,807)	(34,266)	7,924,861
	Dividend allocation and distribution for 2019										
B1	Statutory surplus reserves	-	-	-	65,596	-	(65,596)	-	-	-	-
B3	Special surplus reserves	-	-	-	-	335,833	(335,833)	-	-	-	-
B5	Cash dividend	-	-	-	-	-	(252,458)	-	-	-	(252,458)
L1	Purchase of treasury stock	-	-	-	-	-	-	-	-	(306)	(306)
L3	Deregistration of treasury shares	(1,098)	(10,980)	(7,535)	-	-	(15,751)	-	-	34,266	-
D1	Net profits of the 2020	-	-	-	-	-	709,491	-	-	-	709,491
D3	Other comprehensive net income in 2020	-	-	-	-	-	509	114,027	342,119	-	456,655
D5	Total profit and loss in 2020	-	-	-	-	-	710,000	114,027	342,119	-	1,166,146
Z1	Balance as of December 31, 2020	504,915	$ 5,049,151	$ 1,343,868	$ 923,331	$ 1,199,368	$ 1,066,053	($ 961,534)	$ 218,312	($ 306)	$ 8,838,243

The notes attached shall constitute an integral part of this individual financial statement.

Chairman: CHEN, SHENG TIEN Manager: FENG, MING FA Accounting Manager: WU, CHIN MEI

RECHI PRECISION CO., LTD.

Individual Statements of Cash Flow

For the Years Ended December 31, 2020 and 2019

Unit: NT$1 thousand

Code		2020	2019
	Cash flow from operating activities		
A10000	Current year net profit before taxation	$ 889,955	$ 822,861
A20010	Profits and loss		
A20100	Depreciation expenses	62,021	57,793
A20200	Amortization expenses	3,318	3,242
A20300	Expected credit impairment loss	2,117	398
A20900	Interest expenses	73,021	65,579
A21200	Interest revenue	(11,192)	(8,983)
A21300	Dividend income	(30,459)	(30,067)
A22300	Share of profit or loss on subsidiaries accounted for using the equity method	(744,577)	(527,410)
A22500	Net gains on disposal of property, plant and equipment	(956)	(308)
A23700	Inventory valuation and obsolescence losses	-	4,221
A24000	Realized net loss on subsidiaries	-	14,462
A24100	Unrealized foreign currency exchange loss (gain)	(66,206)	32,105
A29900	Gains on lease modification	-	(10)
A30000	Net change in operating assets and liabilities		
A31130	Increase in notes receivable	(8,762)	(129,995)
A31140	Decrease in notes receivable – related party	9	1,730
A31150	Decrease in accounts receivable	111,196	52,927
A31160	Decrease (increase) in accounts receivable-related parties	(3,480)	17,819
A31180	Increase (decrease) in other accounts receivable	(5,847)	712
A31190	Decrease (increase) in other receivables – related parties	59,350	(7,357)
A31200	Increase in inventories	(44,696)	(119,437)
A31230	Increased in Advance	(577)	(10,090)
A31240	Increase (decrease) in other current assets	2,727	(651)
A32125	Increase (decrease) in return liability – current	(16,884)	32,912
A32150	Increase (decrease) in accounts payable	10,556	(26,811)
A32160	Increase (decrease) in accounts payable – related parties	(123,003)	499,466
A32180	Increase (decrease) in other accounts payable	57,049	(98,176)
A32240	Increase decrease in net defined benefit liability	(1,838)	(13,067)
A32230	Increase (decrease) in other current liabilities	137,552	(17,593)
A33000	Cash inflow from operating activities	350,394	616,272

(Continued on next page)

(Continued from previous page)

Code		2020	2019
A33100	Interest received	$ 8,422	$ 6,135
A33300	Interest payment	(73,574)	(67,722)
A33500	Income tax payment	(74,557)	(186,872)
AAAA	Net cash inflow from operating activities	210,685	367,813
	Cash flow from investing activities		
B02700	Purchase of property, plant, and equipment	(35,216)	(23,399)
B02800	Proceeds from disposal of property, plant and equipment	9,620	1,465
B04300	Increase in other receivables – related parties	(880,040)	-
B04400	Decreased in other receivables – related parties	353,920	-
B04500	Purchase of intangible assets	(5,807)	(1,342)
B06700	Increase of other non-current assets	(21,472)	(143,689)
B07600	Dividends received	714,271	172,137
BBBB	Net cash inflow in investing activities	135,276	5,172
	Cash flow from financing activities		
C00100	Increase of short-term loans	368,314	-
C00200	Decrease in short-term loans	-	(700,161)
C00500	Increase in short-term notes payable	499,854	-
C00600	Decrease in short-term notes payable	-	(429,820)
C01800	Increase in long-term notes payable	-	998,879
C01600	Proceeds from long-term loan	1,413,080	4,486,000
C01700	Repayments of long-term borrowings	(2,215,000)	(3,385,000)
C03000	Collect the guarantee deposits received	200	-
C04020	Repayments of principal portion of the lease	(1,453)	(1,901)
C04500	Dividends paid	(252,458)	(605,898)
C04900	Purchase of treasury stock	(306)	-
C05400	Acquisition of equity of subsidiaries	-	(906,140)
CCCC	Net cash outflow from financing activities	(187,769)	(544,041)
EEEE	Net increase (decrease) in cash and cash equivalents	158,192	(171,056)
E00100	Cash and cash equivalents balance – beginning of year	71,974	243,030
E00200	Cash and cash equivalents balance – end of year	$ 230,166	$ 71,974

The notes attached shall constitute an integral part of this individual financial statement.

Chairman: CHEN, SHENG TIEN Manager: FENG, MING FA Accounting Manager: WU, CHIN MEI

RECHI PRECISION CO., LTD.

Individual Notes to financial statements

For the Years Ended December 31, 2020 and 2019

(Unless otherwise provided, Unit: NTD Thousand)

1. Organization and operations

RECHI PRECISION CO., LTD. (formerly known as RECHI INDUSTRIAL CO., LTD., hereinafter referred to as the Company) was established in December 1989 in accordance with the Company Act of the Republic of China, mainly engaged in the assembly and processing, manufacturing and repairing, and trading of refrigerant compressors, and design services of relevant products, as well as import and export business.

The Company's shares had been listed for trading on the Taipei Exchange since October 2001, and have changed to be listed on the Taiwan Stock Exchange since August 2003.

This parent company only financial statement is denominated in NT dollars, the functional currency of the Bank.

2. Financial reporting date and procedures

The individual financial statements were approved by the board of directors and authorized for issue on March 22, 2021.

3. Application of new and revised standards and interpretation

(1) Initial application of 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)

Except for the following, the application of the amendments to the IFRSs endorsed and issued into effect by the FSC does not have material impact on the Company's accounting policies:

1. Amendments to IAS 1 and IAS 8 "Definition of Materiality"

The Company adopted the amendments on January 1, 2020. The threshold for materiality was amended to be "can be reasonably expected to influence users," and the disclosures in the individual financial statements were adjusted by removing immaterial information which may obscure material information.

2. Amendment to IFRS 16 "COVID-19-Related Rent Concessions"

The Company has chosen to apply the practical expedient of the amendment to deal with rent negotiations directly related to COVID-19 between it and the lessor. Please refer to Note 4 for the relevant accounting policies. Before applying the amendment, the Company shall judge whether the provisions of the lease modification shall apply to the aforementioned rent negotiation.

The Company began to apply the amendment on January 1, 2020. Since the aforementioned rent negotiation only affected the year of 2020, the

retrospective application of the amendment did not affect the retained earnings as of January 1, 2020.

(2) IFRSs endorsed by FSC that are applicable from 2021 onwards

The new/amended/revised standards or interpretation	Effective Date per IASB
Amendments to IFRS 4 "Deferral Of Effective Date of IFRS 9"	Effective immediately upon promulgation
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 – "Interest Rate Benchmark Reform – Phase 2"	Effective for the annual reporting periods beginning on or after January 1, 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 – "Interest Rate Benchmark Reform – Phase 2"

"Interest Rate Benchmark Reform – Phase 2" is mainly about amendments to IFRS 9, IFRS 7, and IFRS 16, which provide practical expedients for the impact of changes in interest rate indicators.

Changes in the basis for determining contractual cash flows caused by changes in interest rate indicators

Changes in the basis for determining the contractual cash flow of financial assets, financial liabilities, and lease liabilities shall be regarded as changes in effective interest rates when changes in the basis are determined, and if such changes are the direct result of changes in interest rate indicators, and the new basis is economically equivalent to the basis before the changes.

When the amendments are applied for the first time, the Company expects to recognize the cumulative effects, to which amendments are applied retrospectively, as retained earnings of January 1, 2021.

(3) The IFRSs released by the IASB but not yet approved and announced effective by the Financial Supervisory Commission

The new/amended/revised standards or interpretation	IASB publication effective date (Note 1)
"2018-2020 IFRSs improvements"	January 1, 2022 (Note 2)
Amendment to IFRS 3 – "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendment to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Investment in Associates."	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment of IFRS 9 applies to the exchange of financial liabilities or modified terms incurring in the annual reported periods since January 1, 2022; the amendment of "Agriculture" in IAS 41 applies to the measurement at fair value in the annual reported periods since January 1, 2022; the amendment of "Initial application of IFRSs" in IFRS 1 applies the annual reported periods since January 1, 2022 retrospectively.

Note 3: The amendment applies to the merges whose acquisition dates after the annual reported periods since January 1, 2022.

Note 4: The amendment applies to the property, plant and equipment achieving the expected operations by the management after January 1, 2021.

Note 5: The amendment applies to the contracts yet performing all obligations as of January 1, 2022.

Note 6: The amendments apply to the annual reporting periods beginning on or after January 1, 2023 prospectively.

Note 7: The amendments apply to changes in accounting estimates and changes in accounting policies that occur during the annual reporting periods beginning on or after January 1, 2023.

1. Amendment to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Investment in Associates."

The amendment stipulates that if the Company sells or invests assets in an affiliated company (or joint venture), or the Company loses control of a subsidiary, but retains significant influence (or joint control) on the subsidiary, if the aforementioned assets or the former subsidiary meets the definition of "Business" as in IFRS 3 "Business Combination," the Company shall fully recognize the profits and losses arising from such transactions.

In addition, if the Company sells or contributes assets to affiliated companies (or joint ventures), or the Company loses the control over a subsidiary but retains significant influence on the subsidiaries (or joint control), and if the aforementioned assets or subsidiary not in compliance with the definition of IFRS 3 "Business," the Company is to recognize the profit and loss of the transactions only within the equity scope of the affiliated companies (or joint ventures) irrelevant to the investors, in other words, the profit and loss attributable to the Company should be offset.

2. Amendments to IAS 1 “Classification of Liabilities as Current or Non-Current”

The amendments are to clarify that when determining whether a liability is classified as non-current, the Company shall assess whether it has the right to defer the settlement period to at least 12 months after the reporting period at the end of the reporting period. If the Company has the right at the end of the reporting period, regardless of whether the Company expects to exercise the right, the liabilities are classified as non-current. The amendments have clarified that if the Company must comply with certain conditions before it has the right to defer payment of its liabilities, the Company must have complied with said conditions at the end of the reporting period, even if the lender is testing whether the Company complies with said conditions at a later date.

The amendments stipulate that, for the purpose of classification of liabilities, the aforementioned settlement refers to the elimination of liabilities due to the transfer of cash, other economic resources, or equity instruments of the Company to the counterparty. However, as for the terms of the liability, where the transfer of the equity instruments of the Company may result in its settlement of the liability based on the counterparty’s choice, if the choice is separately recognized in equity according to IAS 32 “Financial Instruments: Expression,” the foregoing terms do not affect the liability classification.

3. Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”

The amendments stipulate that the selling price of the item produced in order to make the property, plant and equipment reach the location and condition necessary for them to be capable of operating in the manner expected by the management shall not be debited to the cost of the asset. The aforementioned items produced shall be measured in accordance with IAS 2 “Inventories,” and the selling price and cost shall be recognized in profit or loss in accordance with the applicable standards.

The amendments are applicable to property, plant and equipment that have reached the location and conditions necessary for them to be capable of operating in the manner expected by the management after January 1, 2021. When the amendment is applied to the Company for the first time, the information in the comparative period shall be restated.

4. Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments clearly stipulate that the Company shall determine the significant accounting policy information that shall be disclosed based on the definition of materiality. If accounting policy information can be reasonably expected to affect the decisions made by the main users of general-purpose financial statements based on these financial statements, the accounting policy information is significant. The amendments also clarify:

- Accounting policy information related to non-material transactions, other matters, or circumstances is non-significant, and the Company does not need to disclose such information.

- The Company may determine that the relevant accounting policy information is significant based on the nature of transactions, other matters, or circumstances, even if the amount is not significant.
- Not all accounting policy information related to material transactions, other events, or circumstances are significant.

In addition, the amendments also illustrate that if the accounting policy information is related to material transactions, other matters, or circumstances while in line with the following circumstances, the information may be significant:

(1) The Company changed its accounting policies during the reporting period, and the change resulted in a significant change in financial statement information;

(2) The Company selects its applicable accounting policies from the options allowed by the standards;

(3) Due to the lack of specific standards, the Company has formulated accounting policies in accordance with IAS 8 "Accounting Policies, Changes and Errors in Accounting Estimates";

(4) The Company discloses relevant accounting policies that it must adopt significant judgments or assumptions to determine; or

(5) Complicated accounting treatment requirements are involved and users of financial statements rely on such information to understand such material transactions, other matters, or circumstances.

5. Amendments to IAS 8 "Definition of Accounting Estimates"

The amendments stipulate that the accounting estimates refer to the monetary amounts affected by measurement uncertainty in the financial statements. When the Company applies accounting policies, it may need to measure financial statement items with monetary amounts that cannot be directly observed and must be estimated. Therefore, measurement techniques and inputs must be used to establish accounting estimates to achieve this purpose. If the impact of changes in measurement techniques or inputs on accounting estimates is not a correction of previous errors, these changes are changes in accounting estimates.

Further to the aforementioned influence, the Bank will continue to evaluate the effect of the amendment to other IFRSs on the financial positions and performance of the Bank to the date this parent company only financial statement approved and released, and will make appropriate disclosure after the evaluation.

4. <u>Summary of significant accounting policies</u>

(1) Compliance Statement

The individual financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

(2) Basis of preparation

Except for the financial instruments on the basis of fair value and the recognition of net defined benefit liabilities on the basis of the present value of net defined benefit obligation net of the fair value of planned assets, this individual financial statement was compiled on the basis of historical cost.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).
2. Level 2 input value: refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.
3. Level 3 input value: the unobservable input value of asset or liability.

In preparing individual financial statements, the Company adopts the equity method for investment in subsidiaries. In order to make the current year's profit or loss, other comprehensive income, and equity of the individual financial statements the same as the current year's profit or loss, other comprehensive income, and equity attributable to the owners of the Company in the Company's consolidated financial statements, "investments using the equity method," "share of profits or losses on subsidiaries using the equity method," "share of other comprehensive income on subsidiaries using the equity method," and relevant equity items were adjusted for certain accounting differences arising from between the individual basis and the consolidated basis.

(3) Standards in differentiating current and non-current assets and liabilities.

Current assets including:

1. Assets held mainly for trading purpose:
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (not including those that are limited to exchange or repay liabilities exceeding 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held for trading purposes;
2. Liabilities to be repaid within 12 months after the balance sheet date, and
3. Liabilities with the repayment deadline that cannot be unconditionally deferred to at least 12 months after the balance sheet date.

For those that are not current assets or liabilities above are classified as non-current assets or liabilities.

(4) Foreign currency

For the transactions conducted in a currency other than the Company's functional currency (foreign currency), it is to be translated to the functional currency in accordance with the exchange rate on the transaction date when preparing the Company's financial statements.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. The exchange differences arising from the settlement of monetary items or translating monetary items are recognized in the current profit or loss.

The foreign non-currency items measured at fair value are translated in accordance with the exchange rate on the fair value determination date and the exchange difference is booked as current profit or loss. However, for the changes in fair value recognized in the other comprehensive income, the exchange difference is recognized in the other comprehensive income.

The foreign non-currency items measured at historical cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

When preparing the individual financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries that operate in countries or adopt the functional currencies different from the Company) are translated into New Taiwan dollars. Income and expense items are translated in accordance with the current average exchange rates and the exchange differences are booked in the other comprehensive profit or loss.

(5) Inventory

Inventories are raw materials, materials, finished products, work in process and products. Inventory is valued in accordance with the lower of cost or net cash value. When comparing cost and net cash value, except for the homogeneous inventories, it is based on the itemized lower of cost or net cash value. Net realizable value refers to the estimated sale price under normal circumstances net of the estimated cost needed to complete the project and the estimated expenses needed to complete the sale. The cost of inventory is calculated using the weighted average method.

(6) Investment in subsidiaries

The Company has the investment in subsidiaries handled in accordance with the equity method.

Subsidiaries refer to entities (including structured entities) over which the Company has control.

Under the equity method, investments were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the subsidiaries and other comprehensive profit or loss. In addition, for the changes in the affiliated company's equity, the Company is entitled to have it recognized proportionately to the shareholding.

When the Company's change in the ownership of the subsidiary does not result in loss of control, it is treated as an equity transaction. The difference between the book amount of the investment and the fair value of the consideration paid or received shall be directly recognized as equity.

In assessing impairment, the Company based on the cash drivers of the financial statements and compared the recoverable amount and book value. If the amount of recoverable assets increased in the future, the reversal of impairment shall be recognized as income. The book value of the reversal of impaired assets shall not exceed the book value before recognition for impairment net of amortization.

The unrealized concurrent trade between the company and the subsidiaries stated in the financial statement of individual entities shall be removed. The profit or loss resulting from the countercurrent, and side-stream transactions between the Company and the subsidiary are recognized in the individual financial statement within the range irrelevant with the Company's interest in the subsidiary.

(7) Real property, plant and equipment

Real property, plant and equipment are recognized as costs, and they will be measured by the amount after the costs less the amount of accumulated depreciation and accumulated impairment losses afterwards.

Those real estate, plant buildings, equipment & facilities under construction were recognized at the amount of the costs after deducting the loss in the accumulated impairment. Costs include professional service expanses and loan costs that meet the capitalization conditions. When such assets are completed and reach expected use status, such assets will be classified to proper items under real property, plant and equipment and the provision of depreciation shall begin.

The depreciation of each material part of real estate, plants, and equipment should be appropriated independently in accordance with the useful year and a straight-line method. The Company shall review the estimation of life span, residual value and depreciation method at least once a year and extend the effect of changes in applicable accounting policy.

In the case of delisting real estate, plants, and equipment, the difference between the net disposal price and the book value of the asset is recognized in profit or loss.

(8) Intangible assets

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization and accumulated impairment losses. Intangible assets are amortized using straight-line method over the useful lives. The Company conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, and applies the effect of changes in accounting estimates prospectively.

In removing intangible assets, the difference between the net proceeds from the disposal and the book value shall be recognized as income.

(9) Impairment of property, plant and equipment, right-of-use assets, and intangible assets (excluding goodwill)

The Company assesses if there are any signs of possible impairment in property, plant, and equipment as well as right-of-use and intangible assets (excluding goodwill) at each balance sheet date. If there is any indication of impairment occurring, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the Company is to estimate the recoverable amount of the respective cash-generating unit. The common asset is amortized to each cash-generating unit in accordance with a consistent and reasonable sharing basis.

The recoverable amount is the fair value net of cost or the value in use whichever is higher. When the recoverable amount of an individual asset or cash-generating unit is less than its book amount, the book amount of the asset or cash-generating unit should be reduced to its recoverable amount. The impairment loss is recognized in the profit or loss.

When the impairment loss was reversed subsequently, the book amount of the asset or cash-generating unit is increased to the adjusted recoverable amount, but the increased book amount may not exceed the book amount of the asset or cash-generating unit without recognizing the impairment loss in prior periods (net of amortization or depreciation). The reversed impairment loss is recognized in the profit or loss.

(10) Financial instruments

When the Company has become a party to the instrument contract, the financial assets and financial liabilities are to be recognized in the individual balance sheet.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in the profit or loss.

1. Financial assets

The regular way of purchase or sale of financial assets are recognized and derecognized based on the accounting on the transaction date.

(1) Classification of measurement

Financial assets held by the Company are those measured at amortized cost and investments in equity instruments measured at fair value through other comprehensive income (FVTOCI).

A. Financial assets at amortized cost

If the financial assets of the Company met both of the following conditions, classify as financial assets on the basis of cost after amortization:

a. Financial assets held under particular mode of operation and the purpose of holding is for the collection of cash flow from contracts; and

b. Cash flow generated on particular dates deriving from the contacts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Financial assets on the basis of cost after amortization (including cash and cash equivalents and accounts receivable on the basis of cost after amortization) shall be determined for the total book value under the effective interest rate method after the initial recognition net of the cost of any impairment after amortization for measurement. Any exchange gains or loss will be recognized as income.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

B. Investment of equity instruments at fair value through other comprehensive income

The Company may make an irrevocable choice at the time of initial recognition for designating the investment of equity instruments not available-for-sale and not recognized by the acquirer under corporate merger and acquisition or with consideration at fair value through other comprehensive income for measurement.

The investment of equity instruments at fair value through other comprehensive income is measured at fair value. Subsequent changes in fair value will be recognized as other comprehensive income and accumulated into other equity. In the disposition of assets, accumulated gains or loss shall be directly transferred to retained earnings without classification as income.

The dividend of the investment of equity instruments at fair value through other comprehensive income shall be recognized as income when the right of the Company in the collection of dividends is ascertained, unless the dividend is obviously representing the recovery of the cost of investment in part.

(2) Impairment of financial assets

The Company shall, on each balance sheet day, evaluate the financial assets on the basis of cost after amortization on the basis of expected credit loss (including accounts receivable)

Accounts receivable shall be recognized for provisions for loss on the basis of expected credit loss within the perpetuity of the assets. Other financial assets shall be evaluated for any significant increase of risk

from the day of initial recognition. If none is found, recognize for provision for anticipated credit loss along a period of 12 months. If it is, recognize for provision of anticipated credit risk within the perpetuity of the assets.

Anticipated credit loss is the weighted average loss of credit on the basis of the weight of the risk of default. Anticipated credit loss in a period of 12 months means the expected loss of credit from the financial instruments within 12 months due to default. Anticipated credit loss with the perpetuity of the financial instruments means the expected loss of credit from the financial instruments within the perpetuity of these financial instruments.

For internal credit risk management purpose, the Company, without considering the collateral, determines the following circumstances indicating that a default has occurred on the financial instrument:

A. There is internal or external information indicating that the debtor is no longer able to pay off a debt.

B. Payments are overdue for more than 180 days, unless there are reasonable and supporting information showing that the delayed default benchmark is more appropriate.

All impairment of financial assets is recognized through the reduction of the book value of the provisioned account.

(3) The derecognition of financial assets

The Company's financial assets are derecognized only when the contractual rights from the cash flows of a financial asset becomes invalid, or when the financial assets are transferred and almost all the risks and rewards of the asset ownership have been transferred to other enterprises.

If the Company neither transfers nor retains almost all the risks and rewards of the ownership of a financial asset, and retains control of the asset, it will continue to recognize the asset within the scope of continuous participation in the asset and recognize relevant liabilities for the amount that may have to be paid. If the Company retains almost all the risks and rewards of the ownership of a financial asset, it will continue to recognize the asset and recognize the payments received as secured borrowings.

When a financial asset measured at amortized cost is derecognized as a whole, the difference between its book value and the consideration received is recognized in profit or loss. When equity instrument investments measured at FVTOCI are derecognized as a whole, accumulated gains and losses are directly transferred to retained earnings and are not reclassified to profit or loss.

2. Equity instruments

The debt and equity instruments issued by the Company are classified as financial liabilities or equity pursuant to the contractual agreements and the definition of financial liabilities and equity instruments.

An equity instrument issued by the Company is recognized for an amount after deducting the direct issuing cost from the proceeds collected.

The Company's equity retrieved is debited or credited to the equity. The Company's equity purchased, sold, issued, or cancelled is not recognized in the profit or loss.

3. Financial liabilities

(1) Subsequent measurement

All financial assets shall be measured under the effective interest rate method on the cost after amortization except under the following circumstances:

Financial guarantee contract

The financial guarantee contract issued by the Company that is not measured at fair value through profit or loss (FVTPL) is measured at the allowance for the expected credit loss or the amortized amount after initial recognition, whichever is higher.

(2) Derecognition of financial liabilities

When derecognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

(11) Liability reserve

The recognized liability reserve amount is with the risk and uncertainty of the obligation considered, and it is the optimum estimate of the expenditure required to settle the obligations on the balance sheet date. Provision for liabilities shall be measured based on the discount value of the estimated cash flow for the settlement of obligation.

(12) Recognition of revenue

The Company, after identifying the performance obligations, had the transaction price amortized to each performance obligation and recognized as income when the performance obligations were fulfilled.

Commodity sales revenue

When the sales arrive at a customer's designated location or when the goods are shipped, and the customer has the right to set the price and use of the goods and bears the main responsibility for resale and the risk of obsolescence, the Company recognizes the sales in revenue and accounts receivable.

When the material is supplied for processing, the ownership of the processed product is not transferred; therefore, the income is not recognized when the material is supplied.

(13) Lease

The Company assesses whether or not the arrangement is (or includes) a lease arrangement on the agreement date

For contracts that include lease and non-lease components, the Company allocates the consideration in the contracts based on the relative stand-alone prices and treats them separately.

The Company is the lessee.

Except for recognizing low-value asset leases applying to exemption and lease payments for short-term leases being recognized as an expense on a straight-line basis over the lease term, other leases will be recognized as right-of-use assets and lease liabilities at the lease commencement date.

The right-of-use asset is measured at cost (including the amount equal to the lease liability at its initial recognition, lease payments made before the commencement of the lease less any received, any incurred by the lessee, and an estimate of costs to be incurred by restoring the underlying asset to the condition required) less any depreciation and any accumulated impairment losses. Additionally, the cost is subsequently adjusted for any . Right-of-use assets are separately expressed on the individual balance sheet.

Right-of-use assets are depreciated on a straight-line basis over the period from the commencement date of the lease to expiration of its useful life or expiration of the lease term, whichever date is earlier. If the ownership of the underlying asset will be acquired at the end of the lease period, or if the cost of the right-of-use asset reflects exercising an option, the asset will be depreciated over the period from the commencement date of the lease to expiration of the useful life of the underlying asset.

Lease liabilities are initially measured at the present value of lease payments (including fixed payments, less lease incentives received). If the implied interest rate of the lease is easily determined, the lease payments will be discounted to their present value using that interest rate. If such interest rate is not easily determined, the incremental borrowing rate will be used.

Subsequently, the lease liabilities are measured at amortized cost using the effective interest method, and the interest expenses are amortized over the lease term. If changes in the lease term lead to changes in future lease payments, the Company will remeasure the lease liabilities and adjust the right-of-use asset accordingly. However, if the book value of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit or loss. For lease modifications that are not treated as a separate lease, remeasurement of lease liabilities due to the reduction in the scope of the lease is to reduce the right-of-use assets, and to recognize the profit or loss of partial or full termination of the lease. Remeasurement of lease liabilities due to other modifications is an adjustment to the right-of-use asset. Lease liabilities are separately expressed on the individual balance sheet.

The Company and the lessor engaged in rent negotiations directly related to the COVID-19 pandemic, and adjusted the rents due before June 30, 2021, resulting in a decrease in the rents before the negotiation. These negotiations did not materially change other lease terms. The Company has elected to adopt practical expedients to treat rent negotiations that meet the aforementioned conditions without evaluating whether the negotiation is about a lease modification, and recognizes the reduction in lease payments in profit or loss when the concession or such situation occurs, and makes a corresponding downward adjustment to the lease liabilities.

Changes in rent as stipulated in lease agreements not determined by indices or rates are recognized as expenses in the current period.

(14) Loan costs

Borrowing costs directly belonging to acquiring, building or producing assets that meet the requirements are part of the costs of such assets until the completion of all necessary activities that the assets reaching the status of expected use or sale.

The income of a temporary investment with a specific loan that has not yet met the essential requirement of capital expenditure is deducted from the loan cost that meets the essential requirement of capitalization.

In addition to the transaction stated in the preceding paragraph, all other loan costs are recognized as profit and loss upon occurring.

(15) Employee benefits

1. Short-term employee benefits

Liabilities relating to short-term employee benefits are measured by the non-discounted amount of the expected payment in exchange for employee services.

2. Retirement benefits

Under the defined contribution pension plan, the pension amount appropriated during the service years of the employees is recognized as an expense.

The determined cost of benefit for determined benefit retirement plan (including the cost of service, net interest, and reevaluation) is based on the actuary of projected unit method. The net interests of the service cost (including the service cost for the current period) and net defined benefit liability (asset) are recognized as employee benefit expenses when they occur. The value of second measurement (including the profits and loss under actuary and the return on assets of the plan net or interest) shall be recognized as other comprehensive incomes and as retained earnings, if realized. No reclassification as profits and loss in subsequent periods.

Net defined benefit liability (asset) is the appropriation deficit (surplus) of the defined benefit pension plan. Net defined benefit asset shall not exceed the refund of the appropriated fund or decrease the present value of appropriation of fund in the future.

(16) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Income tax expenses in the current period

Additional income tax on unappropriated earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China, to be recognized in the year of the shareholder resolution meeting.

The adjustment to prior period income tax payable is booked as current income tax.

2. Deferred tax

Deferred tax is computed in accordance with the temporary differences between the book value of assets and liabilities and the tax bases of taxable income.

Deferred income tax liabilities are generally recognized in accordance with all taxable temporary differences. Deferred income tax assets are recognized when there is the likelihood of having taxable income to be used for the income tax credit resulting from the temporary difference, R&D, and personnel training expense.

Deferred income tax liabilities are recognized for all taxable temporary differences related to the subsidiary, unless the Company can control the timing of reversal of temporary differences and the temporary differences are unlikely to be reversed in the foreseeable future. The deductible temporary differences related to such investments are recognized as deferred income tax assets when there is likely a sufficient taxable income available for realizing a temporary difference and within the expected reverse in the foreseeable future.

The book amount of deferred income tax asset must be reviewed at each balance sheet date. The book amount of those that no longer have any sufficient taxable income to recover all or part of the asset should be adjusted down. Those that are not originally recognized as deferred income tax assets should also be reexamined at each balance sheet date. The book amount of those that are likely to generate taxable income in the future for the recovery of all or part of its assets should be adjusted up.

Deferred income tax assets and liabilities are measured in accordance with the expected liability liquidation or the tax rate in the period when the asset is realized. The tax rate is based on the tax rate and tax laws that are legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax effect resulting from the book amount of the assets and liabilities expected to be recovered or liquidated at the balance sheet date.

3. Current and deferred income tax for the year

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive income or directly included in the equity are recognized in the other comprehensive income or directly included in the equity.

5. Main source of significant accounting judgment, estimates and assumptions uncertainty

When adopting accounting policy, the management of the Company shall make related judgments, estimations, and assumptions for information that cannot be easily retrieved from other sources based on historical experiences and other relevant factors. Actual results may differ from the estimates.

The management will continue to review the estimates and basic assumptions. If the amendment affects only the current estimates, it is recognized in the current period. If the amendment of accounting estimates affects both current and future periods, it is recognized in the respective current and future periods.

The estimated impairment of accounts receivable

The estimated impairment of accounts receivable is based on the default rates and expected loss rates assumed by the Company. Taking into account the consolidated company's past experience, current market situation and future prediction, the Company shall prepare a pro forma report and select appropriate inputs for impairment. If the actual future cash flows are less than expected, a material impairment loss may have resulted.

6. Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and working capital	$ 98	$ 149
Bank checks and demand deposits	230,068	71,825
	$ 230,166	$ 71,974

The deposits in banks showed the following interest rate ranges as of the balance sheet date:

	December 31, 2020	December 31, 2019
Bank deposits	0.02%～0.20%	0.05%～0.38%

7. Financial assets at fair value through other comprehensive profit or loss

Equity investment

	December 31, 2020	December 31, 2019
Current		
Overseas investment		
Listed stock		
D-shares Of Qingdao Haier Co., Ltd.	$ 1,067,276	$ 639,810

8. Note receivable and account receivable

	December 31, 2020	December 31, 2019
Notes receivable		
Measured on the basis of cost after amortization		
Total book value	$ 193,863	$ 182,380
Less: Allowance for losses	(2)	(4)
	$ 193,861	$ 182,376
Accounts receivable		
Measured on the basis of cost after amortization		
Total book value	$ 1,947,596	$ 2,324,895
Less: Allowance for losses	(11,562)	(9,540)
	1,936,034	2,315,355
Measured at fair values through other comprehensive income	321,092	-
	$ 2,257,126	$ 2,315,355

(1) Accounts receivable based on cost after amortization

The Company's average credit period for sales open account with net 0 days to 210 days, and no interest is accrued on accounts receivable.

In order to mitigate the credit risk, the Company has formulated credit management measures to regulate the determination of credit limits, credit approval, and other monitoring procedures to ensure that appropriate actions have been taken in the recovery of overdue receivables. In addition, the Company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Under the circumstance, the Company's management believes that the Company's credit risk is significantly reduced.

The Company will recognize the lifetime expected credit losses as loss allowance for accounts receivable. The full lifetime expected credit losses are calculated using Provision Matrix, which considers the historical default records and current financial status, industry economic conditions, as well as GDP forecast and industry outlook. As the Company's credit loss history shows that there is no significant difference in the loss patterns of different customer groups, the provision

matrix does not further differentiate the customer groups, and only the expected credit loss rate is set based on the number of overdue days of the accounts receivable.

If there is evidence that the counterparty is facing serious financial difficulties and the Company cannot reasonably expect to recover the amount, e.g. the counterparty is in liquidation, the Company directly writes off the relevant accounts receivable, but will continue to try to collect the receivable. The recovered amount is recognized in profit or loss.

The Company's allowance for loss of receivables is determined according to the preparation matrix as follows:

December 31, 2020

	Not overdue	Overdue for 1 to 30 days	Overdue for 31 to 60 days	Overdue for 61 to 90 days	Overdue for 91 to 120 days	Overdue for over 121 days	Total
Expected credit loss rate	0.03%	0.68%	32.90%	64.94%	76.39%	90.22%~100.00%	
Total book value	$ 1,815,099	$ 110,802	$ 18,018	$ 2,424	$ 1,253	$ -	$ 1,947,596
Allowance for loss (expected credit loss of the given duration)	(554)	(863)	(7,613)	(1,574)	(958)	-	(11,562)
Cost after amortization	$ 1,814,545	$ 109,939	$ 10,405	$ 850	$ 295	$ -	$ 1,936,034

December 31, 2019

	Not overdue	Overdue for 1 to 30 days	Overdue for 31 to 60 days	Overdue for 61 to 90 days	Overdue for 91 to 120 days	Overdue for over 121 days	Total
Expected credit loss rate	0.05%	2.47%	17.47%	58.01%	60.39%	77.78%~100%	
Total book value	$ 2,049,112	$ 269,384	$ 5,619	$ -	$ 1	$ 779	$ 2,324,895
Allowance for loss (expected credit loss of the given duration)	(1,124)	(6,654)	(982)	-	(1)	(779)	(9,540)
Cost after amortization	$ 2,047,988	$ 262,730	$ 4,637	$ -	$ -	$ -	$ 2,315,355

(2) Accounts receivable at fair value through other comprehensive income.

Regarding the accounts receivable of specific customers, the Company decides whether to sell it to the bank without the right of recourse or not to sell it depending on the status of the working capital. The business model of the Company managing this kind of accounts receivable is to complete its goal through receiving contractual cash flows and selling financial assets. Thus, these kinds of accounts receivable are measured through other comprehensive income in fair value.

December 31, 2020

	Not overdue	Overdue for 1 to 30 days	Overdue for 31 to 60 days	Overdue for 61 to 90 days	Overdue for 91 to 120 days	Overdue for over 121 days	Total
Expected credit loss rate	0.03%	0.68%	32.90%	64.94%	76.39%	90.22%~100%	
Total book value	$ 321,189	$ -	$ -	$ -	$ -	$ -	$ 321,189
Allowance for loss (expected credit loss of the given duration)	(97)	-	-	-	-	-	(97)
Cost after amortization	$ 321,092	$ -	$ -	$ -	$ -	$ -	$ 321,092

The information on changes in the allowance for loss on notes receivable and accounts receivable is as follows:

	2020		
	Notes receivable	Accounts receivable	Total
Balance, beginning of year	$ 4	$ 9,540	$ 9,544
Add (less): Impairment loss (reversal) for the current year	(2)	2,119	2,117
Balance, end of year	$ 2	$ 11,659	$ 11,661

	2019		
	Notes receivable	Accounts receivable	Total
Balance, beginning of year	$ 11	$ 9,135	$ 9,146
Add (less): Impairment loss (reversal) for the current year	(7)	405	398
Balance, end of year	$ 4	$ 9,540	$ 9,544

9. Inventories

	December 31, 2020	December 31, 2019
Merchandise inventories	$ 8,270	$ 8,661
Finished products	130,585	90,956
Work-in-process	6,425	20,180
Raw materials	94,106	99,780
Inventory in-transit	185,927	161,040
	$ 425,313	$ 380,617

In 2020 and 2019, the cost of goods sold related to inventory was NT$7,993,262 thousand and NT$7,400,750 thousand, respectively. Cost of goods sold includes inventory valuation losses of NT$0 thousand and NT$4,221 thousand.

10. Investment under the equity method

Investment in subsidiaries

	December 31, 2020	December 31, 2019
Non-public/non-OTC companies		
Rechi Holdings Co., Ltd.	$ 11,092,363	$ 10,872,539
Rechi Investments Co., Ltd.	347,573	344,025
Dyna Rechi Co., Ltd.	490,790	511,858
	$ 11,930,726	$ 11,728,422

The Company's ownership and voting rights in the equity of the subsidiary at the balance sheet date is as follows:

	December 31, 2020	December 31, 2019
Rechi Holdings Co., Ltd.	100.00%	100.00%
Rechi Investments Co., Ltd.	100.00%	100.00%
Dyna Rechi Co., Ltd. (Note 21)	42.20%	42.20%

Dyna Rechi Co., Ltd. increased the capital by NT$106,000 thousand through external shareholders in August 2019, which caused the Company's shareholding ratio to drop to 42.20%. However, the Company holds more than half of the seats on the board of directors of Dyna Rechi Co., Ltd. with substantive ability to lead its vital activities, so it is classified as a subsidiary.

The share of profits and losses and other comprehensive income on subsidiaries under the equity method for 2020 and 2019 is recognized based on the subsidiaries' financial statements that have been audited by auditors during the same period.

As mentioned in Table 2, the Company provided financial guarantees for bank borrowings of Rechi Holdings Co., Ltd., Rechi Precision (Qingdao) Electric Machinery Limited, and Rechi Precision (Jiujiang) Electric Machinery Limited. As of December 31, 2020 and 2019, the financial guarantees provided above were not included in the book balance of the investments in subsidiaries.

11. Real property, plant and equipment

	Proprietary land	Building	Machinery and equipment	Other equipment	Construction in progress	Total
Costs						
Balance as of January 1, 2019	$ 207,567	$ 463,274	$ 1,018,136	$ 722,446	$ -	$ 2,411,423
Additions	-	9,539	1,053	15,475	-	26,067
Disposal	-	(640)	(453,121)	(71,678)	-	(525,439)
Other reclassification	-	2,779	6,098	8,347	-	17,224
Balance as of December 31, 2019	$ 207,567	$ 474,952	$ 572,166	$ 674,590	$ -	$ 1,929,275
Accumulated depreciation and impairment						
Balance as of January 1, 2019	$ -	$ 228,228	$ 980,006	$ 562,302	$ -	$ 1,770,536
Depreciation expenses	-	11,355	9,271	35,225	-	55,851
Disposal	-	(640)	(453,121)	(70,521)	-	(524,282)
Balance as of December 31, 2019	$ -	$ 238,943	$ 536,156	$ 527,006	$ -	$ 1,302,105
Net amount as of December 31, 2019	$ 207,567	$ 236,009	$ 36,010	$ 147,584	$ -	$ 627,170
Costs						
Balance as of January 1, 2020	$ 207,567	$ 474,952	$ 572,166	$ 674,590	$ -	$ 1,929,275
Additions	-	606	47,904	6,299	-	54,809
Disposal	-	-	(466,859)	(169,560)	-	(636,419)
Other reclassification	-	-	123,097	-	-	123,097
Balance as of December 31, 2020	$ 207,567	$ 475,558	$ 276,308	$ 511,329	$ -	$ 1,470,762
Accumulated depreciation and impairment						
Balance as of January 1, 2020	$ -	$ 238,943	$ 536,156	$ 527,006	$ -	$ 1,302,105
Depreciation expenses	-	11,927	16,528	32,167	-	60,622
Disposal	-	-	(462,373)	(165,382)	-	(627,755)
Balance as of December 31, 2020	$ -	$ 250,870	$ 90,311	$ 393,791	$ -	$ 734,972
Net amount as of December 31, 2020	$ 207,567	$ 224,688	$ 185,997	$ 117,538	$ -	$ 735,790

Depreciation expenses is appropriated in accordance with the straight-line method and the years of useful life illustrated below:

Building	
Plant building	10 to 55 years
Electromechanical power equipment	5 to 35 years
Engineering systems	2 to 55 years
Others	3 to 35 years
Machinery and equipment	2 to 15 years
Other equipment	1 to 15 years

Please refer to Note 25 for the amount of property, plant and equipment provided as guarantees for borrowings.

12. Lease arrangements

(1) Right-of-use assets.

	December 31, 2020	December 31, 2019
Carrying amount of right-of-use assets		
Building	$ 1,380	$ 1,294
Transportation equipment	431	-
	$ 1,811	$ 1,294

	2020	2019
Addition of right-of-use assets	$ 1,916	$ -
Depreciation expense of right-of-use assets		
Building	$ 1,264	$ 1,942
Transportation equipment	135	-
	$ 1,399	$ 1,942

(2) Lease liabilities

	December 31, 2020	December 31, 2019
Carrying amount of lease liabilities		
Current	$ 838	$ 1,254
Non-current	$ 950	$ 71

The range of lease liability discount is as follows:

	December 31, 2020	December 31, 2019
Building	1.35%	1.35%
Transportation equipment	1.35%	-

(3) Other lease information

	2020	2019
Short-term lease expense	$ 2,126	$ 2,958
Variable lease payments not included in lease liability measurement	$ 675	$ 2,714
Total cash (outflow) of leases	($ 4,266)	($ 7,627)

The Company has elected to apply the recognition exemption for leases of dormitories and other equipment that meet short-term leases, and, thus, did not recognize said leases in right-of-use assets and lease liabilities.

For the years ended December 31, 2019, short-term lease expenses also included leases for which the lease terms ended on or before December 31, 2019, and

for which the recognition exemption applied. As of December 31, 2019, the short-term lease commitment amount, for which the recognition exemption applied, was NT$393 thousand.

All lease commitments during the lease terms beginning after the balance sheet date are as follows:

	December 31, 2020	December 31, 2019
Lease commitment	$ -	$ -

13. Borrowings

(1) Short-term borrowings

	December 31, 2020	December 31, 2019
Unsecured loans		
- Credit borrowings	$ 706,849	$ 335,900
Interest rate collars		
- Unsecured borrowings	0.80%～0.96%	0.98%

(2) Short-term notes payable

	December 31, 2020	December 31, 2019
Commercial papers payable	$ 500,000	$ -
Less: Discount of short-term notes and bills payable	(146)	-
	$ 499,854	$ -

The short-term notes payable not due yet are enumerated below:

December 31, 2020

Guarantee/underwriting institutions	Face amount	Discounted amount	Book value	Interest rate collars	Collateral	Collateral Book amount
Commercial papers payable						
Taiwan Finance Corporation	$ 100,000	$ 33	$ 99,967	Note	-	$ -
International Bills Finance Corporation	150,000	44	149,956	Note	-	-
China Bills Finance Corporation	150,000	34	149,966	Note	-	-
Dah Chung Bills Finance Corp.	100,000	35	99,965	Note	-	-
	$ 500,000	$ 146	$ 499,854			$ -

Note: Interest rate is 0.90%.

(3) Long-term borrowings

	Date of maturity	Material terms	December 31, 2020	December 31, 2019
Secured loans (Note 25)				
Mega International Commercial Bank	2024.07.26	From July 26, 2019 to July 26, 2024, NT$1,600,000 thousand was drawn down, and will be repaid in a lump sum upon maturity.	$ 1,600,000	$ 1,600,000
Unsecured loans				
Jih Sun International Commercial Bank	2022.06.19	From March 29, 2019 to March 29, 2022, a loan was repaid early in June 2020; from June 19, 2020 to June 19, 2022, US$400,000 thousand was drawn down, and will be repaid in a lump sum upon maturity.	400,000	400,000
Far Eastern International Bank Co., Ltd.	2022.04.26	From August 8, 2019 to April 26, 2022, US$500,000 thousand was drawn down, and NT$185,000 thousand and NT$115,000 thousand were repaid early in December 2019 and December 2020, respectively, and the remaining amount will be repaid in a lump sum upon maturity.	200,000	315,000
Bank of Taiwan	2021.12.21	Since December 21, 2018 and January 21, 2019, NT$300,000 thousand and NT$200,000 thousand were drawn down separately, which were both repaid early in December 2020.	-	500,000
Yuanta Bank	2022.07.21	From March 13, 2019 to March 13, 2021, NT$600,000 thousand was drawn down and repaid early in February and April of 2020; from July 21, 2020 to July 21, 2022, NT$100,000 thousand was drawn down and will be repaid in a lump sum upon maturity.	100,000	600,000
Mizuho Bank	2022.12.23	From August 12, 2019 to August 9, 2021, NT$300,000 thousand was drawn down and repaid early in August 2020; from December 25, 2020 to December 23, 2022, NT$300,000 thousand was drawn down and will be repaid in a lump sum upon maturity.	300,000	300,000
Chang Hwa Commercial Bank, Ltd.	2022.12.25	From December 25, 2019 to December 25, 2022, NT$200,000 thousand was drawn down, and will be amortized and repaid in a total of four instalments from March 25, 2022.	200,000	200,000
Chang Hwa Commercial Bank, Ltd.	2029.10.15	The amounts of NT$86,000 thousand, NT$10,000 thousand, and NT$24,780 thousand were drawn down on October 15, 2019, February 5, 2020, and April 6, 2020, respectively, and the principal and interest will be amortized and repaid monthly from November 15, 2022.	120,780	86,000
Chang Hwa Commercial Bank, Ltd.	2027.02.15	The amounts of NT$64,300 thousand, NT$69,000 thousand, NT$74,000 thousand, and NT$71,000 thousand were drawn down on February 26, 2020, April 13, 2020, June 22, 2020, and August 24, 2020, respectively, and the principal and interest will be amortized and repaid monthly from March 15, 2023.	278,300	-
			3,199,080	4,001,000
Less: Current portion			-	-
Long-term borrowings			$ 3,199,080	$ 4,001,000

The effective interest rate as of December 31, 2020 and 2019 was 0.85%–1.50% and 0.85%– 1.58%, respectively.

The Company has taken out loans from Jih Sun International Commercial Bank, Chang Hwa Commercial Bank, Ltd., and Mega International Commercial Bank. The contracts also stated four commitments based on the Company's consolidated financial statements: 1. The current ratio shall be maintained at 100% or more. 2. The debt ratio shall be maintained below 200—250% (inclusive) or lower. 3. The interest coverage ratio shall be maintained above 2–2.5 times (inclusive). 4. The net value of tangible assets shall be maintained at NT$5,000,000 thousand or more. The company's consolidated financial statements have satisfied said commitments.

(4) Long-term notes payable

	December 31, 2020	December 31, 2019
Commercial papers payable	$ 1,000,000	$ 1,000,000
Less: Discount of long-term notes payable	(454)	(1,121)
	$ 999,546	$ 998,879

1. The Company and the International Bills Finance Corporation signed a bank-guaranteed commercial paper revolving credit line and underwriting contract, allowing the Company to issue a 90-day bank-guaranteed commercial paper with a revolving credit line within a 5-year period. The Company drew down the underwriting facility of NT$700,000 thousand as of November 18, 2019, and the contract expiration date was November 11, 2024.
2. The Company and the Ta Ching Bills Finance Corporation signed a bank-guaranteed commercial paper revolving credit line and underwriting contract, allowing the Company to issue a 90-day bank-guaranteed commercial paper with a revolving credit line within a 5-year period. The Company drew down the underwriting facility of NT$300,000 thousand as of December 25, 2019, and the contract expiration date was November 29, 2024.
3. The effective interest rate for long-term notes payable as of December 31, 2020 and 2019 was 1.34%–1.40% and 1.47%–1.52%, respectively.

14. Other payables

	December 31, 2020	December 31, 2019
Salary and bonus payables	$ 107,047	$ 73,501
Remuneration to employees and directors and supervisors payable	121,756	102,488
Payables for non-use of leave	9,640	10,279
Others (Note)	90,175	66,905
	$ 328,618	$ 253,173

Note: Others are service expenses, freight, commission, and utilities expenses payable.

15. Retirement benefits plan

(1) Defined contribution pension plan

The pension system of the "Labor Pension Act" that is applicable to the Company is a defined contribution pension plan subject to government management with an amount equivalent to 6% of the monthly salary appropriated and contributed to the personal account with the Bureau of Labor Insurance.

(2) Defined benefit plan

The company within the Company has a pension plan arranged in accordance with the "Labor Standard Law" of the Republic of China that was a defined benefit pension plan. Pension payment is calculated in accordance with the years of service and the average salary six months prior to the authorized retirement date. The company has a pension appropriated for an amount equivalent to 4% of the monthly salary and the proceeds are deposited in the designated account with Taiwan Bank in the name of the Labor Pension Reserve Commission. If the account balance before yearend is expected to be insufficient for paying the retiring employees of the year, the amount of difference should be appropriated in a lump sum before the end of March in the following year. The special account has been commissioned to the Bureau of Labor Fund of the Ministry of Labor Affairs for management. The Company contained in the financial statements exercises no influence on the right of the bureau in its investment management strategy.

The amount of determined benefit plan recognized in the individual balance sheet is shown below:

	December 31, 2020	December 31, 2019
Present value of the defined benefit obligations	$ 146,565	$ 162,599
The fair value of plan assets	(94,312)	(107,872)
Net defined benefit liability	$ 52,253	$ 54,727

Change in net defined benefit liability is shown below

	Present value of the defined benefit obligations	The fair value of plan assets	Net defined benefit liability
Balance as of January 1, 2019	$ 188,380	($ 120,806)	$ 67,574
Service costs			
Current service cost	2,700	-	2,700
Interest expenses (revenues)	1,885	(1,213)	672
Recognized in the profit or loss	4,585	(1,213)	3,372
Reevaluation			
Planned ROE (except the amount of net interest)	-	(4,270)	(4,270)

(Continued on next page)

(Continued from previous page)

	Present value of the defined benefit obligations	The fair value of plan assets	Net defined benefit liability
Actuarial losses (gains) –			
- Changes in demographic assumptions	$ 958	$ -	$ 958
- Changes in financial assumptions	3,994	-	3,994
- Experience adjustments	(462)	-	(462)
Recognized in the other comprehensive profit of loss	4,490	(4,270)	220
Employer appropriation	-	(16,439)	(16,439)
Benefits paid	(34,856)	34,856	-
Balance as of December 31, 2019	$ 162,599	($ 107,872)	$ 54,727
Balance as of January 1, 2020	$ 162,599	($ 107,872)	$ 54,727
Service costs			
Current service cost	1,953	-	1,953
Interest expenses (revenues)	1,219	(812)	407
Recognized in the profit or loss	3,172	(812)	2,360
Reevaluation			
Planned ROE (except the amount of net interest)	-	(4,106)	(4,106)
Actuarial losses (gains)			
- Changes in demographic assumptions	98	-	98
- Changes in financial assumptions	3,619	-	3,619
- Experience adjustments	(247)	-	(247)
Recognized in the other comprehensive profit of loss	3,470	(4,106)	(636)
Employer appropriation	-	(4,198)	(4,198)
Benefits paid	(22,676)	22,676	-
Balance as of December 31, 2020	$ 146,565	($ 94,312)	$ 52,253

The recognized loss of determined benefit plans by function is summarized below:

	2020	2019
Operating cost	$ 159	$ 205
Marketing expenses	27	17
Administrative expenses	2,105	3,042
Research and development expenses	69	108
	$ 2,360	$ 3,372

The pension fund system of the company contained in the financial statements is exposed to the following risks due to the "Labor Standards Act":

1. Investment risk: The Bureau of Labor Fund of the Ministry of Labor Affairs uses the labor pension fund for investment in domestic and foreign equity securities and debt securities, and as bank deposits through proprietary trade or commissioned third parties. However, the amount attributable to the planned asset of the Company contained in the financial statements shall not fall below the interest rate offered by the banks in the regions or countries of investment for 2-year time deposit as return.
2. Interest rate risk: The decline in interest rates of government bonds will cause the present value of the defined benefit obligations to go up; however, the return on debt investment of the plan assets will go up too; therefore, they both have a partial write-off effect on the net defined benefit liability.
3. Salary risk: the calculation of the present value of determined benefit obligation is based on the salaries of the members in the plan of the future. As such, an increase of the salaries of the members of the plan is bound to increase the present value of determined benefit obligation.

The determined benefit obligation of the company contained in the financial statements is based on the actuarial calculation of the actuary and the major assumption as of the evaluation day is shown below:

	December 31, 2020	December 31, 2019
Discount rate	0.500%	0.750%
The expected rate of increase in salaries	2.000%	2.000%

In case of reasonable and possible change in the major actuarial assumptions, and other assumptions remained unchanged, the amount of increase (decrease) in the present value of determined benefit obligation will be:

	December 31, 2020	December 31, 2019
Discount rate		
Increase by 0.25%	($ 3,619)	($ 4,002)
Decrease by 0.25%	$ 3,756	$ 4,154
The expected rate of increase in salaries		
Increase by 0.25%	$ 3,634	$ 4,029
Decrease by 0.25%	($ 3,521)	($ 3,903)

Actuarial assumptions may be inter-related. The possibility of change in specific assumption is not high. The aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of determined benefit obligation.

	December 31, 2020	December 31, 2019
Amount projected for appropriation in 1 year	$ 600	$ 720
Average maturity of determined benefit obligation	9.9 years	9.9 years

16. Equity

(1) Share capital

Common stock

	December 31, 2020	December 31, 2019
Authorized number of shares (thousand shares)	600,000	600,000
Authorized capital	$ 6,000,000	$ 6,000,000
Number of shares issued with fully paid-in capital (thousand shares)	504,915	506,013
Outstanding capital	$ 5,049,151	$ 5,060,131

Common stock shares issued at NTD 10 Par and each share is entitled to one voting right and dividends.

The Company's board of directors resolved on December 23, 2019 to take January 3, 2020 as the record date for capital reduction and to cancel 1,098 thousand treasury shares. After the capital reduction, the actual paid-in capital was NT$5,049,151 thousand.

(2) Capital reserves

	December 31, 2020	December 31, 2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Other capital surplus of shares	$ 279,956	$ 280,564
Corporate bond conversion premium	1,050,383	1,052,668
Treasury stock trade	-	4,642
Endowments	1,651	1,651
For covering loss carried forward only.		
Gains on disposal of assets	21	21
Recognition of changes in ownership interests of subsidiaries (2)	11,693	11,693
Others	164	164
	$ 1,343,868	$ 1,351,403

(1) Such additional paid-in capital can be used to make up for losses; also, when the company is without any loss, it can be applied for cash distribution or capitalization. However, it is limited to a certain percentage of the annual paid-in capital for the purpose of capitalization.

(2) Such capital reserves are the effects of equity transactions recognized due to the changes in a subsidiary's equity when the Company has not actually acquired or disposed of the equity of the subsidiary.

(3) Retained earnings and Dividend Policy

According to the earnings distribution policy of the Company's Articles of Association, if there are earnings in the Company's annual final accounts, the Company shall pay taxes, compensate the accumulated losses over the years, set aside 10% as a statutory surplus reserve, and then appropriate or reverse a special surplus reserve according to laws or regulations of the competent authority. Special surplus reserve; if there are still earnings available, together with the accumulated undistributed earnings, the board of directors shall put forward an earnings distribution proposal and submit it to the shareholders' meeting for a resolution to distribute dividends to shareholders. Please refer to Note 18 (7) regarding the policy for remuneration to the employees and the directors as stipulated in the Company's Articles of Association.

For the Company's need for sustainable operation and business growth and to take into account the maintenance of profitability, the Company's capital budget plan is adopted to measure the capital needs of the following years. The board of directors drafts a shareholders' dividend distribution plan according to the law every year and submits it to the shareholders' meeting. Shareholders' dividends are distributed in two ways: cash dividends and stock dividends. The cash dividends must not be less than 10% of the total dividends distributed, and the rest are stock dividends.

Legal reserve shall be allocated up to the amount equivalent to the paid-in capital of the company. Legal reserve could be allocated for covering loss carried forward. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out as cash dividend.

The Company has a special reserve appropriated and reversed in accordance with FSC.Certificate.Issue.Tzi No. 1010012865 Letter, FSC.Certificate.Issue.Tzi No. 1010047490 Letter, and "Special reserve appropriation Q&A after the adoption of International Financial Reporting Standards (IFRSs)."

The Company held annual shareholders' meetings on June 16, 2020 and June 14, 2019, which resolved to pass the 2019 and 2018 earnings distribution proposals, respectively, as follows:

	Distribution of retained earnings		Dividend Per Share (NTD)	
	2019	2018	2019	2018
Statutory surplus reserves	$ 65,596	$ 110,143		
Special surplus reserves	335,833	293,042		
Cash dividend	252,458	605,898	$ 0.5	$ 1.2

On March 22, 2021, the board of directors proposed the 2020 earnings distribution proposal as follows:

	Distribution of retained earnings	Dividend Per Share (NTD)
Legal reserve appropriated	$ 69,425	
Reversal of special reserve	456,146	
Cash dividend	353,427	$ 0.7

The 2020 earnings distribution proposal is pending a resolution by the shareholders' meeting scheduled to be held on June 17, 2021.

(4) Special surplus reserves

A special surplus reserve appropriated because of the first-time adoption of IFRSs for the exchange differences on translation of the financial statements of foreign operations (including subsidiaries) is reversed based on the percentage of the Company's disposal. When the Company loses significant influence, said reserve will be fully reversed. When distributing the earnings, a special surplus reserve shall be appropriated for the difference between the net deduction of other shareholders' equity and the special surplus reserve for the first-time application of IFRSs at the end of the reporting period. If the amount debited to the other shareholders' equity is reversed subsequently, the reversed amount can be distributed.

As of December 31, 2020 and 2019, the special surplus reserve provided by the Company in accordance with Letter Jin Guan-Zheng-Fa No. 1010012865 was NT$1,199,368 thousand and NT$863,535 thousand, respectively.

(5) Other equity

1. Exchange differences from the translation of financial statements of foreign operations

	2020	2019
Balance, beginning of year	($ 1,075,561)	($ 719,013)
Generated in current year		
Exchange differences on translation of foreign operations	141,393	(443,132)
Relating income tax	(27,366)	86,584
Balance, end of year	($ 961,534)	($ 1,075,561)

2. Unrealized gain or loss on financial assets at fair value through other comprehensive income

	2020	2019
Balance, beginning of year	($ 123,807)	($ 144,522)
Generated in current year		
Unrealized gains or losses – equity instruments	341,973	23,742
Share of other comprehensive income on subsidiaries accounted for using the equity method	146	(3,027)
Balance, end of year	$ 218,312	($ 123,807)

(6) Treasury shares

Cause	Transfer of shares to employees (Thousand shares)
Number of shares on January 1 and December 31, 2019	1,098
Number of shares on January 1, 2020	1,098
Increase	20
Decrease	(1,098)
Number of shares on December 31, 2020	20

The company's Treasury stock may not be pledged in accordance with the Security and Exchange Law; moreover, it is without the privilege of dividend and voting right.

17. Income

(1) Revenue from contracts with customer

Product type	2020	2019
Commodity sales revenue		
Compressors and compressor pumps	$ 8,631,145	$ 8,301,150
Others	98,391	182,408
	$ 8,729,536	$ 8,483,558

(2) Refund liability

Based on historical experience and contract conditions, the Company's estimated refund liability for sales returns and discounts in 2020 and 2019 was NT$193,014 thousand and NT$167,831 thousand, respectively. As of December 31, 2020 and 2019, the balance of the refund liability was NT$73,681 thousand and NT$92,264 thousand, respectively.

18. Business units in continuing operation income

(1) Interest revenue

	2020	2019
Bank deposits	$ 11,192	$ 8,983

(2) Other income

	2020	2019
Dividend income – investment of equity instruments at fair value through other comprehensive income	$ 30,459	$ 30,067
Others	12,768	19,357
	$ 43,227	$ 49,424

(3) Other profits and losses

	2020	2019
Net gains or losses on disposal of property, plant and equipment	$ 956	$ 308
Net foreign exchange gain (loss)	(29,351)	38,896
Others	(858)	(3,257)
	($ 29,253)	$ 35,947

(4) Financial costs

	2020	2019
Interest from bank borrowings	($ 73,009)	($ 65,525)
Interest on lease liabilities	(12)	(54)
	($ 73,021)	($ 65,579)

(5) Depreciation and amortization

	2020	2019
Consolidation of depreciation expenses based on functions		
Operating cost	$ 24,770	$ 14,952
Operating expenses	37,251	42,841
	$ 62,021	$ 57,793
Consolidation of amortization expenses based on functions		
Operating cost	$ 76	$ 2
Operating expenses	3,242	3,240
	$ 3,318	$ 3,242

(6) Employee benefits expenses

	2020	2019
Retirement benefits		
Defined contribution pension plan	$ 10,318	$ 11,523
Defined benefit plan (Note 15)	2,360	3,372
	12,678	14,895
Other employee benefits	390,040	390,935
Total employee benefits expenses	$ 402,718	$ 405,830
Consolidation based on functions		
Operating cost	$ 78,757	$ 68,477
Operating expenses	323,961	337,353
	$ 402,718	$ 405,830

(7) Remuneration to the employees and the directors

According to the Company's Articles of Association, based on the current year's pre-tax income before deduction of the remuneration to employees and directors, no less than 1% and no greater than 8% of the balance is allocated as remuneration to employees, and no more than 3% for remuneration to directors. For 2020 and 2019, the remuneration to employees and directors was estimated based on the aforementioned pre-tax profit and the possible distributable amount according to the past experience.

The remuneration to employees and directors for 2020 and 2019 was resolved by the board of directors on March 22, 2021 and March 20, 2020, respectively, as follows:

Amount

	2020		2019	
	Cash	Stock	Cash	Stock
Remuneration to employees	$ 49,441	$ -	$ 45,368	$ -
Remuneration to directors	14,262	-	13,087	-

If there are still changes in the amount specified in the individual financial statement after announcement, proceed to the accounting of change and adjusted for booking in the next fiscal year.

There is no difference between the remuneration to employees and directors actually distributed for 2019 and 2018 and the amount recognized in the individual financial statements for 2019 and 2018.

For information on the remuneration to employees and directors as resolved by the Company's board of directors for 2020 and 2019, please visit the Market Observatory Post System of the Taiwan Stock Exchange.

(8) Foreign exchange gain (loss)

	2020	2019
Total foreign exchange gains	$ 233,239	$ 243,201
Total foreign exchange gain (loss)	(262,590)	(204,305)
Net profit (loss)	($ 29,351)	$ 38,896

19. Continuing department income tax

(1) Income tax recognized in profit or loss

The major components of income tax expense (income) are as follows:

	2020	2019
Income tax expenses in the current period		
Accrued in current year	$ 153,388	$ 110,730
Additional levy on undistributed earnings	95	4,672
Prior year adjustment	(5,886)	(21,624)
	147,597	93,778
Deferred tax		
Accrued in current year	32,867	73,123
Income tax expense recognized in the profit or loss	$ 180,464	$ 166,901

Adjustment of accounting income and income tax expense are as follows:

	2020	2019
Income before tax from continuing operations	$ 889,955	$ 822,861
Income tax derived by applying the statutory tax rate to pre-tax net profit	$ 177,991	$ 164,572
Non-deductible expenses and losses for tax purposes	10,212	11,478
Additional levy on undistributed earnings	95	4,672
Unrecognized (recognizable) deductible temporary differences	(1,948)	7,803
Income tax expense of prior years adjusted in the current year	(5,886)	(21,624)
Income tax expense recognized in the profit or loss	$ 180,464	$ 166,901

(2) Income tax recognized in the other comprehensive profit or loss

	2020	2019
Deferred tax		
Accrued in current year		
─ Conversion of overseas operating institutions	$ 27,366	($ 86,584)
─ Unrealized gain or loss on financial assets at fair value through other comprehensive income	85,493	5,935
─ Reevaluation of determined benefit plan	127	(44)
Income tax recognized in the other comprehensive profit or loss	$ 112,986	($ 80,693)

(3) Current Tax Liability

	December 31, 2020	December 31, 2019
Current Tax Liability		
Payable income tax	$ 148,927	$ 75,887

(4) Deferred income tax assets and liabilities

Changes in the deferred income tax assets and liabilities are as follows:

2020

	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	Balance, end of year
Deferred income tax assets				
Temporary difference				
Financial assets at fair value through other comprehensive profit or loss	$ 14,478	$ -	($ 14,478)	$ -
Allowance to reduce inventory to market	6,180	(2,956)	-	3,224
Unrealized exchange loss	4,972	(4,972)	-	-
Refund liability	3,721	(679)	-	3,042
Defined benefit pension plans	11,097	(367)	(127)	10,603
Vacation benefit payable	2,056	(128)	-	1,928
Exchange differences of foreign operations	142,169	-	(27,366)	114,803
	$ 184,673	($ 9,102)	($ 41,971)	$ 133,600
Deferred tax liabilities				
Temporary difference				
Financial assets at fair value through other comprehensive profit or loss	$ -	$ -	$ 71,015	$ 71,015
Investment gains of foreign investment companies	617,982	16,861	-	634,843
Unrealized exchange gain	-	7,799	-	7,799
Real property, plant and equipment	2,129	(895)	-	1,234
Reserve for land revaluation increment tax (“LRIT”)	10,104	-	-	10,104
	$ 630,215	$ 23,765	$ 71,015	$ 724,995

2019

	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	Balance, end of year
Deferred income tax assets				
Temporary difference				
Financial assets at fair value through other comprehensive profit or loss	$ 20,413	$ -	($ 5,935)	$ 14,478
Allowance to reduce inventory to market	5,336	844	-	6,180
Unrealized exchange loss	-	4,972	-	4,972
Refund liability	6,010	(2,289)	-	3,721
Defined benefit pension plans	13,667	(2,614)	44	11,097
Vacation benefit payable	2,152	(96)	-	2,056
Exchange differences of foreign operations	55,585	-	86,584	142,169
	$ 103,163	$ 817	$ 80,693	$ 184,673
Deferred tax liabilities				
Temporary difference				
Investment gains of foreign investment companies	$ 538,748	$ 79,234	$ -	$ 617,982
Unrealized exchange gain	1,923	(1,923)	-	-
Real property, plant and equipment	2,608	(479)	-	2,129
Reserve for land revaluation increment tax (“LRIT”)	10,104	-	-	10,104
Others	2,892	(2,892)	-	-
	$ 556,275	$ 73,940	$ -	$ 630,215

(5) Income tax audit

The profit-seeking enterprise income tax returns filed by the Company up to 2018 have been approved by the tax collection authority.

20. Earnings per share

Unit: NTD per share

	2020	2019
Basic earnings per share	$ 1.41	$ 1.30
Diluted earnings per share	$ 1.40	$ 1.29

The earnings and weighted average common stock shares used in calculating the earnings per share are as follows:

Net profits of the current year

	2020	2019
The net income applied to calculate basic earnings per share	$ 709,491	$ 655,960

Shares

Unit: shares in thousands

	2020	2019
Weighted average common stock shares used to calculate basic earnings per share	504,901	504,915
Effect of dilutive potential common stock:		
Remuneration to employees	3,103	2,731
Weighted average common stock shares used to calculate diluted earnings per share	508,004	507,646

If the Company may choose to have the employee compensation distributed via a stock or cash dividend, calculate the diluted earnings per share, assuming that the bonus to employees is with a stock dividend distributed, with the weighted average number of shares outstanding included when the potential common stock has a diluted effect. When diluted EPS is calculated in the next year resolves the number of share distribution for employee compensation, the dilution effect is also considered for such potential common shares.

21. Changes in equity of subsidiary – no impact on control

The Company failed to subscribe for the shares issue by means of cash capital increase by subsidiary Dyna Rechi Co., Ltd. in proportion to its shareholding ratio in August 2019, resulting in the shareholding ratio falling from 45% to 42.20%.

Since the transaction above did not change the Company's control over the subsidiary, the Company treated it as an equity transaction. Please refer to Note 27 of the Company's 2020 consolidated financial statements for the details of the changes in equity of the subsidiary.

22. Capital risk management

Under the premise of capital management for assuring sustainable operation, the Company seeks to maximize return to shareholders through the optimization of debts and equity balance. There is no major change in the Company's overall strategy.

The capital structure of the Company is composed of the net debt (i.e. borrowings less cash and cash equivalents) and equity (i.e. share capital, capital reserves, retained earnings, and other equity items).

The Company is not required to comply with other external capital requirements, except for the various commitments on long-term borrowings in Note 13.

The Company's management reviews the capital structure yearly, and the reviews include taking into consideration the cost of capital and the risks associated with each class of capital. The Company will balance its overall capital structure by paying dividends, issuing new shares, buying back shares, borrowing new debts, or repaying old debts based on the suggestions of the key management.

23. Financial instruments

(1) Fair value information- Financial instruments that are not measured at fair value

The management of the Company believes that the carrying amount of financial assets and liabilities not measured by fair values approaches their fair values.

(2) Information on fair value – financial instruments at fair value on repetition.

Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive profit or loss				
Equity investment				
- Listed stocks – overseas	$ 1,067,276	$ -	$ -	$ 1,067,276

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive profit or loss				
Equity investment				
- Listed stocks – overseas	$ 639,810	$ -	$ -	$ 639,810

There were no transfers between Level 1 and Level 2 fair value in 2020 and 2019.

(2) Categories of financial instruments

	December 31, 2020	December 31, 2019
Financial assets		
Financial assets based on cost after amortization (Note 1)	$ 3,654,510	$ 3,017,448
Financial assets at fair value through other comprehensive profit or loss		
Equity investment	1,067,276	639,810
Financial liabilities		
Based on cost after amortization (Note 2)	7,792,667	7,774,746

Note 1: The balances include cash and cash equivalents, notes receivable, accounts receivable, other receivables, deposits, refundable deposits, and other financial assets measured at amortized cost.

Note 2: The balances include short-term borrowings, short-term notes payable, notes payable, accounts payable, other payables, guarantee deposits received, long-term borrowings, long-term notes payable, and other financial liabilities measured at amortized cost.

(3) Purpose and policy of financial risk management

The main financial instruments of the Company include investments in equity and debt instruments, accounts receivable, accounts payable, borrowings, and lease liabilities. The Company's financial management department shall provide services to each business unit, to plan and coordinate operations in the domestic and international financial markets, and to monitor and manage the Company's operation-related financial risks with the internal risk report, with the risk exposure analyzed in accordance with the degree and breadth of risks. These risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

The financial management department reports quarterly to the Company's board of directors.

1. Market Risk

Due to the operating activities, the major financial risk faced by the Company is the foreign currency exchange rate risk (see (1) below) and interest rate risk (see (2) below). The Company manages the foreign currency exchange rate and interest rate risks using the natural hedging method.

The exposure of market risk of the financial instruments of the Company and the management and measurement of this risk remained unchanged.

(1) Exchange rate risk

The Company engages in foreign currency-denominated sales and purchase transactions; therefore, the Company is exposed to exchange rate risks. Approximately 97.55% of the Group's sales are not denominated in the functional currency of any of the Group's entity involved in the transaction, and approximately 97.57% of the cost is not denominated in the functional currency of any of the Group's entity involved in the transaction. The Company manages the exposure to the exchange rate risk using the natural hedging method.

For the carrying amount of monetary assets and monetary liabilities denominated in non-functional currencies of the Company at the balance sheet date, please refer to Note 28.

<u>Sensitivity analysis</u>

The Company is mainly affected by fluctuations in the exchange rates of the USD and RMB.

The Branch's sensitivity analysis for the exchange rate of NT dollar (the functional currency) to each relevant foreign currency increased or decreased by 1.7% is detailed as follows. The 1.7% sensitivity rate is used for the Branch's reporting exchange rate risk to management; also, it is management's reasonable estimation of the possible fluctuation in exchange rates. The sensitivity analysis includes only the outstanding monetary items in foreign currency; also, the translation at year-end is

adjusted in accordance with the changes in exchange rates by 1.7%. Each positive number in the following table represents the amount of increase in net profit before tax when NTD depreciates by 1.7% in relation to each relevant foreign currency; when NTD appreciates by 1.7% in relation to each relevant foreign currency, its effect on net profit before tax will be the negative number of the same amount.

	Effect on USD (i)		Effect on RMB (ii)	
	2020	2019	2020	2019
Profit or loss	$ 21,577	$ 21,929	($ 17,468)	($ 28,769)

(i) It is mainly derived from the Company's outstanding USD-denominated bank deposits, receivables, and payables at the balance sheet date without cash flow hedging.

(ii) It is mainly derived from the Company's outstanding RMB-denominated bank deposits, receivables, and payables at the balance sheet date without cash flow hedging.

(2) Interest rate risk

Because the Company holds assets and borrowings with fixed and floating interest rates at the same time, the interest rate risk has arisen. The Company manage interest rate risk by maintaining an appropriate combination of fixed and floating rate.

The carrying amount of financial assets and liabilities of the Company under interest rate exposure on balance sheet date is as follows:

	December 31, 2020	December 31, 2019
With fair value interest rate risk		
- Financial assets	$ -	$ -
- Financial liabilities	1,206,703	335,900
Contain cash flow interest rate risk		
- Financial assets	230,048	71,805
- Financial liabilities	4,198,626	4,999,879

Sensitivity analysis

The following sensitivity analyses are based on the interest rate risk exposure of the non-derivative instruments on the balance sheet date. For assets and liabilities with floating interest rates, the analysis method is based on the assumption that the amount of assets and liabilities outstanding at the balance sheet date is outstanding throughout the reporting period. The rate of change used when the interest rates are reported to key management in the Company is 100 base points for increase or decrease in interest rates, which also represents the reasonably possible range of changes in interest rates determined by the management.

If the interest rate increased by 100 base points, with all other variables remaining unchanged, the Company's 2020 and 2019 net profit before tax would have decreased by NT$39,686 thousand and NT$49,281 thousand, respectively, mainly due to the Company's exposure to the risk of changes in the interest rate.

(3) Other price risks.

The Group is exposed to equity price risk due to investment in foreign listed stocks.

Sensitivity analysis

The sensitivity analysis below is based on the exposure to the equity price risk at the balance sheet date.

If the equity price increased/decreased by 1%, other comprehensive income before tax for 2020 and 2019 would have increased/decreased by NT$10,673 thousand and NT$6,398 thousand, respectively due to the increase/decrease in the fair value of financial assets at fair value through other comprehensive income.

2. Credit Risk

Credit risk refers to the risk that the counter party delays the contractual obligation resulting in the financial loss of the Company. As of the balance sheet date, the maximum credit risk exposure that might cause the Company to suffer financial losses due to the counterparty's failure to perform its obligations and the financial guarantees provided by the Company was derived from the carrying amount of financial assets recognized in the individual balance sheet and the amount of contingent liabilities arising from the financial guarantees provided by the Company.

Except for the Company's top five customers, the Company does not have any major exposure to the credit risk of any single counterparty or any group of counterparties with similar characteristics. When the counterparty is an affiliated company, the Company defines it as a counterparty with similar characteristics. In 2020 and 2019, the Company's concentration of credit risk on the top five customers did not exceed 54% of the total monetary assets, and the concentration of credit risk on other counterparties did not exceed 3% of the total monetary assets.

The Company's credit risk is mainly concentrated on the top five customers. As of December 31, 2020 and 2019, the percentage of the total accounts receivable from the aforementioned customers was 72% and 70%, respectively.

3. Liquidity Risk

The Company has supported the business operation and mitigated the impact of changes in cash flow by managing and maintaining sufficient cash and cash equivalent position. The Company's management monitors the use of banking facilities and ensures the compliance of loan agreement.

Bank loan is a main source of liquidity to the company. For the Company's bank financing amount not drawn down as of December 31, 2020 and 2019, please refer to the description of (2) regarding the financing amount below.

(1) Liquidity and interest rate risk table of non-derivative financial liabilities

Non-derivative financial liabilities remaining contract maturity analysis is prepared in accordance with the Company's undiscounted cash flow (including principal and estimated interest) of financial liabilities on the earliest possible repayment date upon request. The following table shows the earliest times that the Company may be demanded to make immediate repayment of bank loans, without considering the likelihood of such demands. Maturity analysis of other non-derivative financial liabilities is prepared based on the agreed repayment date.

December 31, 2020

	Payment on demand or less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
No interest-bearing liabilities	$ 49,809	$ 2,323,146	$ 13,891	$ 492	$ -
Lease liabilities	127	131	589	988	-
Instruments with floating interest rates	3,433	6,866	30,899	4,132,745	149,432
Instruments with fixed interest rates	542,179	665,449	-	-	-
Financial guarantee liabilities	3,780,097	-	-	-	-
	$ 4,375,645	$ 2,995,592	$ 45,379	$ 4,134,225	$ 149,432

December 31, 2019

	Payment on demand or less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
No interest-bearing liabilities	$ 48,990	$ 2,367,534	$ 22,151	$ 292	$ -
Lease liabilities	105	216	933	68	-
Instruments with floating interest rates	4,811	9,622	43,297	5,056,166	60,228
Instruments with fixed interest rates	129,471	213,330	-	-	-
Financial guarantee liabilities	5,262,514	-	-	-	-
	$ 5,445,891	$ 2,590,702	$ 66,381	$ 5,056,526	$ 60,228

The amount of the financial guarantee contracts above is the maximum amount that the Company may have to pay to fulfill the guarantee obligation if the holders of the financial guarantee contracts ask the guarantor for the full guarantee amount. However, based on the expectations at the balance sheet date, the Company believes that it is unlikely that the payments for said contracts will be made.

(2) Financing amount

	December 31, 2020	December 31, 2019
Secured bank loan		
- The loan quota used	$ 1,600,000	$ 1,600,000
- The loan quota not yet used	170,880	179,880
	$ 1,770,880	$ 1,779,880
Unsecured bank loan amount		
- The loan quota used	$ 3,805,329	$ 3,735,779
- The loan quota not yet used	3,327,971	3,277,481
	$ 7,133,300	$ 7,013,260

(5) Information on transfer of financial assets

The relevant information on the factoring of the Company's accounts receivable not due at the end of the year is as follows:

December 31, 2020

Counterparties	Amount factored	Reclassified to other receivables	Amount available	Amount drawn down	Amount drawn down Annual rate (%)
DBS Bank Limited	$ 82,215	$ -	$ -	$ 82,215	0.85%

According to the agreement of the factoring contract, the losses arising from business disputes (such as sales returns or discounts) shall be borne by the Company, and the losses arising from the credit risk shall be borne by the bank.

24. Related party transactions

Except as disclosed in other notes, transactions between the Company and related parties are also as follows:

(1) Name of related parties and the relations

Name	Relationship with the Company
Rechi Holdings Co., Ltd.	Subsidiary
Rechi Precision (Qingdao) Electric Machinery Limited	Subsidiary
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Subsidiary
Rechi Precision (Huizhou) Mechanism Company	Subsidiary
Rechi Refrigeration Dongguan Co., Ltd.	Subsidiary
Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary

(Continued on next page)

(Continued from previous page)

Name	Relationship with the Company
Dyna Rechi Co., Ltd.	Subsidiary
Dyna Rechi Jiujiang Co., Ltd.	Subsidiary
Qingdao Rechi Electric Machinery Sales Company	Subsidiary
SAMPO CORPORATION	Investor with significant influence
Sampo Home Inc.	Subsidiary of Sampo Corporation
Sampo Japan	Subsidiary of Sampo Corporation

(2) Operating income

Account titles in book	Type and Name of related party	2020	2019
Sales revenue	Subsidiary	$ 23,028	$ 85,392
	Investor with significant influence	2,966	3,314
		$ 25,994	$ 88,706

(3) Purchase

Type and Name of related party	2020	2019
Subsidiary		
Rechi Precision (Qingdao) Electric Machinery Limited	$ 4,662,092	$ 4,115,909
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	1,625,113	2,099,037
Rechi Precision (Jiujiang) Electric Machinery Limited	1,013,994	861,000
Others	346,867	197,290
	$ 7,648,066	$ 7,273,236

Compared with other customers, there is no significant difference in the price and payment terms of transactions between the Company and its related parties.

(4) Receivables from concerned parties (excluding loans borrowed from concerned parties)

Account titles in book	Type and Name of related party	December 31, 2020	December 31, 2019
Notes receivable-related party	Investor with significant influence	$ -	$ 9
Accounts receivable – related parties	Subsidiary	$ 27,162	$ 25,821
	Investor with significant influence	1,277	96
		$ 28,439	$ 25,917

(Continued on next page)

(Continued from previous page)

Account titles in book	Type and Name of related party	December 31, 2020	December 31, 2019
Other receivables – related parties	Subsidiary		
	Rechi Precision (Jiujiang) Electric Machinery Limited	$ 4,665	$ 21,416
	Rechi Precision (Qingdao) Electric Machinery Limited	1,249	31,799
	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	3,046	15,889
	Rechi Precision (Huizhou) Mechanism Company	4,637	-
	Others	1,108	4,011
	Investor with significant influence	34	-
		$ 14,739	$ 73,115

The outstanding receivables from the related party are without any guarantees collected. No allowance for losses was provided for accounts receivable from related parties in 2020 and 2019.

(5) Payables to concerned parties (excluding loans borrowed from concerned parties)

Account titles in book	Type and Name of related party	December 31, 2020	December 31, 2019
Accounts payable – related parties	Subsidiary		
	Rechi Precision (Qingdao) Electric Machinery Limited	$ 1,522,264	$ 1,207,282
	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	346,989	812,628
	Rechi Precision (Jiujiang) Electric Machinery Limited	254,770	252,389
	Others	143,909	81,288
		$ 2,267,932	$ 2,353,587
Other payables	Subsidiary	$ 109	$ 396

For balance of payables to concerned parties outstanding, no guarantee has been provided.

(6) Loans to related parties (including interest receivable)

Type and Name of related party	December 31, 2020	December 31, 2019
Rechi Precision (Qingdao) Electric Machinery Limited	$ 351,044	$ 346,646
Rechi Precision (Jiujiang) Electric Machinery Limited	351,805	-
Dyna Rechi Jiujiang Co., Ltd.	219,377	-
	$ 922,226	$ 346,646

The interest rate of the short-term loans provided by the Company to its subsidiaries is similar to the market interest rate. The interest income from loans to subsidiaries for 2020 and 2019 was NT$9,717 thousand and NT$7,610 thousand, respectively.

(7) Lease agreement

Type and Name of related party	2020	2019
Interest expenses		
Investor with significant influence	$ -	$ 28
Rent expense		
Investor with significant influence	$ 532	$ 88

The rent of the lease contract between the Company and the above-mentioned related parties is determined through negotiation with reference to the market conditions and is paid on a quarterly basis in accordance with the general payment terms.

	December 31, 2020	December 31, 2019
The total amount of lease payments to be paid in the future	$ 442	$ 442

(8) Remuneration to the management

	2020	2019
Short-term employee benefits	$ 47,688	$ 62,937
Retirement benefits	646	646
	$ 48,334	$ 63,583

The remuneration of directors and other key management personnel is determined by the Remuneration Committee after considering the factors, including industry standards and market conditions and taking into account their education and experience, seniority, work performance, and company profitability.

25. Pledged assets

The following assets have been provided as collateral for borrowings from banks:

	December 31, 2020	December 31, 2019
Proprietary land	$ 207,567	$ 207,567
Building	224,689	236,009
	$ 432,256	$ 443,576

26. Significant contingent liabilities and unrecognized contractual commitments

In addition to those disclosed in other notes, the significant commitments and contingencies of the Company as of balance sheet date were as follows:

(1) Unrecognized material contractual commitments

	December 31, 2020	December 31, 2019
Purchase of property, plant, and equipment		
RMB	$ 5,700	$ 45,609
NTD	2,160	20,332
USD	84	-

(2) The Company has commissioned the bank to issue letters of guarantee to the Customs Administration for the post-release duty payments for imported goods. As of December 31, 2020, the amount of the letters of guarantee issued by the bank was NT$10,000 thousand.

27. Other information

Due to the global pandemic, governments of various countries have successively implemented various pandemic prevention and control measures, including extended holidays, temporary suspension of work, and work from home, resulting in a reduction in the number of operating and production days in some areas. However, as the period for which the Company suspended the work was extremely short, the impact on the Company's production was not significant. As the domestic pandemic slows down and government policies are gradually loosened, the Company expects that its operations will gradually return to normal. However, as the international pandemic development is still uncertain, the Company will continue to pay attention to the development of the pandemic and take appropriate countermeasures to reduce the impact on its operations.

28. Information of foreign currency assets and liabilities with significant effects

The following information is expressed in foreign currencies other than the functional currencies of each entity within the Company; also, the exchange rate disclosed refers to the exchange rate used for having such foreign currency converted into the functional currency. Foreign currency assets and liabilities with significant influence as follows:

December 31, 2020

	Foreign currency	Exchange rate	Book value
Foreign currency assets			
Monetary items			
USD	$ 58,782	28.48 (USD : NTD)	$ 1,674,105
RMB	212,370	4.3648 (RMB : NTD)	926,957
EUR	30,441	35.02 (EUR : NTD)	1,066,034
Non-monetary items			
Financial assets at fair value through other comprehensive profit or loss			
EUR	30,476	35.02 (EUR : NTD)	1,067,276
Subsidiaries accounted for under the equity method			
USD	389,479	28.48 (USD : NTD)	11,092,363
Foreign currency liabilities			
Monetary items			
USD	14,216	28.48 (USD : NTD)	404,870
RMB	447,785	4.3648 (RMB : NTD)	1,954,497
EUR	1,381	35.02 (EUR : NTD)	48,354

December 31, 2019

	Foreign currency	Exchange rate	Book value
Foreign currency assets			
Monetary items			
USD	$ 57,190	29.98 (USD : NTD)	$ 1,714,568
RMB	81,917	4.2975 (RMB : NTD)	352,035
EUR	26,738	33.59 (EUR : NTD)	898,145
Non-monetary items			
Financial assets at fair value through other comprehensive profit or loss			
EUR	19,048	33.59 (EUR : NTD)	639,810
Subsidiaries accounted for under the equity method			
USD	362,660	29.98 (USD : NTD)	10,872,539

(Continued on next page)

(Continued from previous page)

Foreign currency liabilities	Foreign currency	Exchange rate	Book value
Monetary items			
USD	$ 14,164	29.98 (USD : NTD)	$ 424,628
RMB	475,699	4.2975 (RMB : NTD)	2,044,308
EUR	10,275	33.59 (EUR : NTD)	345,128

The unrealized foreign currency exchange gains and losses with a material impact are as follows:

	2020		2019	
Foreign currency	Exchange rate	Net exchange losses (gains)	Exchange rate	Net exchange losses (gains)
USD	28.48 (USD : NTD)	$ 16,573	29.98 (USD : NTD)	($ 40,157)
RMB	4.3648 (RMB : NTD)	8,481	4.2975 (RMB : NTD)	21,315
EUR	35.02 (EUR : NTD)	41,152	33.59 (EUR : NTD)	(13,263)
		$ 66,206		($ 32,105)

29. Notes of disclosure

(1) Information about important transactions:

1. The Loaning of funds: Table 1.
2. Endorsement and Guarantee: Table 2.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and joint ventures): Table 3.
4. The cumulative purchase or sale of the same security for an amount exceeding NT$300 million or 20% of paid-in capital: None.
5. The acquisition of real estate for an amount exceeding NT$300 million or 20% of paid-in capital: None.
6. The disposal of real estate for an amount exceeding NT$300 million or 20% of paid-in capital: None.
7. The purchase or sale with the related party for an amount exceeding NT$100 million or 20% of paid-in capital: Table 4.
8. Accounts receivable-related party reaching NTD 100 million or more than 20% of the Paid-in shares capital: Table 5.
9. Trading in derivative instruments: N/A.

(2) Information on investees: Table 6.

(3) Information regarding investment in the territory of Mainland China:

1. The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, current profit or loss and investment gains or losses recognized, ending balance, amount received as earnings distributions from the investment, and the limitations on investment: Table 7.

2. Significant direct or indirect transactions with the investee in Mainland China through third regions, its prices, terms of payment, and unrealized gain or loss: Please see Table 8 attached.

   (1) Input amounts, percentages, balance, and percentages of relevant payable at end of the term.

   (2) Sales amounts, percentages, balance, and percentages of relevant receivables at end of the term.

   (3) Amount of property transaction and amount of the profit and/or loss so incurred.

   (4) Balance and purposes of endorsements/guarantees or collateral provided at end of the term.

   (5) The highest balance of fund financing balance at end of the term, range of interest rates and total amount of interest in the current term.

   (6) Other transactions having significant effect upon profit and/or loss or financial standing of the current term, e.g. provision or acceptance of services.

(4) Information on major shareholders: Names of shareholders with a shareholding ratio of more than 5%, number of shares held, and percentage: Table 9.

RECHI PRECISION CO., LTD. and its subsidiaries

The Loaning of Funds

For the Year Ended December 31, 2020

Table 1

Unit: NTD thousand or in thousands in foreign currencies

No.	The lender of fund	The borrower of fund	Transaction title	Are they related parties	Maximum balance – current period (Note 3)	Balance, ending (Note 3)	The actual amounts disbursed (Note 3)	Interest rate collars	Nature of financing (Note 1)	Amount of business transactions	Reasons for the necessity of short-term financing	Amount of provision for bad debts	Collateral		Limit of financing particular beneficiary (Note 2)	Total limit of financing (Note 2)	Note
													Name	Value			
0	RECHI PRECISION CO., LTD.	Rechi Precision (Qingdao) Electric Machinery Limited	Other receivables	Yes	NTD 349,185 (RMB 80,000)	NTD 349,185 (RMB 80,000)	NTD 349,185 (RMB 80,000)	1.40%	2	$ -	Working capital	$ -	—	—	NTD 883,824	NTD 1,767,649	
0	RECHI PRECISION CO., LTD.	Rechi Precision (Jiujiang) Electric Machinery Limited	Other receivables	Yes	NTD 349,185 (RMB 80,000)	NTD 349,185 (RMB 80,000)	NTD 349,185 (RMB 80,000)	1.40%	2	-	Working capital	-	—	—	NTD 883,824	NTD 1,767,649	
0	RECHI PRECISION CO., LTD.	Dyna Rechi Jiujiang Co., Ltd.	Other receivables	Yes	NTD 218,241 (RMB 50,000)	NTD 218,241 (RMB 50,000)	NTD 218,241 (RMB 50,000)	1.40%	2	-	Working capital	-	—	—	NTD 883,824	NTD 1,767,649	
1	Rechi Holdings Co., Ltd.	Rechi Precision (Jiujiang) Electric Machinery Limited	Other receivables	Yes	NTD 1,281,600 (USD 45,000)	NTD 1,281,600 (USD 45,000)	NTD 1,281,600 (USD 45,000)	0.00%~ 2.00%	2	-	Working capital	-	—	—	NTD 11,199,751	NTD 11,199,751	
2	Rechi Precision (Jiujiang) Electric Machinery Limited	Dyna Rechi Jiujiang Co., Ltd.	Other receivables	Yes	NTD 523,778 (RMB 120,000)	NTD 130,944 (RMB 30,000)	NTD 130,944 (RMB 30,000)	2.60%~ 4.46%	2	-	Working capital	-	—	—	NTD 806,924	NTD 806,924	
3	Dongguan Rechi Compressor Co., Ltd.	Rechi Precision (Jiujiang) Electric Machinery Limited	Other receivables	Yes	NTD 130,944 (RMB 30,000)	NTD - (RMB -)	NTD - (RMB -)	2.80%	2	-	Working capital	-	—	—	NTD 142,407	NTD 142,407	
3	Dongguan Rechi Compressor Co., Ltd.	Dyna Rechi Jiujiang Co., Ltd.	Other receivables	Yes	NTD 130,944 (RMB 30,000)	NTD 130,944 (RMB 30,000)	NTD 130,944 (RMB 30,000)	3.15%	2	-	Working capital	-	—	—	NTD 142,407	NTD 142,407	

Note 1: (1) There are business transactions going on.

(2) There is a need for short-term financing.

Note 2: (1) The Company's limit of financing for individual recipients and the total limit of financing shall not exceed 10% and 20% of the net worth of the Company as in the latest financial statements, respectively.

(2) Rechi Holdings Co., Ltd.'s limit of financing for individual recipients and the total limit of financing shall not exceed 40% of the net worth of the Company as in the latest financial statements; however, for those located overseas who directly and indirectly hold 100% of the voting shares of the company and have a need for purchase of materials or working capital, the limit of financing shall not exceed the net worth of the Company as in the latest financial statements.

(3) Rechi Precision (Jiujiang) Electric Machinery Limited's limit of financing for individual recipients and the total limit of financing shall not exceed 40% of the net worth of the Company as in the latest financial statements; however, for those located overseas who directly and indirectly hold 100% of the voting shares of the company and have a need for purchase of materials or working capital, the limit of financing shall not exceed the net worth of the Company as in the latest financial statements.

(4) Dongguan Rechi Compressor Co., Ltd.'s limit of financing for individual recipients and the total limit of financing shall not exceed 40% of the net worth of the Company as in the latest financial statements; however, for those located overseas who directly and indirectly hold 100% of the voting shares of the company and have a need for purchase of materials or working capital, the limit of financing shall not exceed the net worth of the Company as in the latest financial statements.

Note 3: Measured based on the exchange rate at the end of the period.

RECHI PRECISION CO., LTD. and its subsidiaries

Endorsements and guarantees made for others

For the Year Ended December 31, 2020

Table 2

Unit: NTD thousand or in thousands in foreign currencies

No.	The company providing the endorsement and/or guarantee	The party receiving the endorsement and/or guarantee		The limit of endorsements and/or guarantees to a single business entity (Notes 4 and 6)	The highest balance of endorsements and/or guarantees in the current period	The balance of endorsements and/or guarantees at the end of the period (Note 6)	The actual amounts disbursed (Note 6)	The endorsements and/or guarantees secured with property	Ratio of cumulative endorsement and guarantee to net worth in the most recent financial statement (%)	The upper limit of an endorsement and/or guarantee (Notes 4 and 6)	Guarantee and endorsement of parent company to subsidiary	Guarantee and endorsement by subsidiary to parent company	Guarantee and endorsement in Mainland China	Note
		Company name	Relation											
0	RECHI PRECISION CO., LTD.	Rechi Holdings Co., Ltd.	Note 1	$ 8,838,243	NTD 2,779,641 (USD 90,500)	NTD 2,164,480 (USD 76,000)	NTD 1,167,680 (USD 41,000)	$ -	24%	$ 13,257,365	Y	N	N	
0	RECHI PRECISION CO., LTD.	Rechi Precision (Qingdao) Electric Machinery Limited	Note 2	8,838,243	NTD 739,448 (USD 24,000)	NTD 227,840 (USD 8,000)	NTD 113,920 (USD 4,000)	-	3%	13,257,365	Y	N	Y	
0	RECHI PRECISION CO., LTD.	Rechi Precision (Jiujiang) Electric Machinery Limited	Note 2	8,838,243	NTD 1,872,809 (USD 51,000) (RMB 70,000)	NTD 1,387,777 (USD 38,000) (RMB 70,000)	NTD 526,937 (USD 8,500) (RMB 65,262)	-	16%	13,257,365	Y	N	Y	
1	Rechi Precision (Qingdao) Electric Machinery Limited (Note 5)	Qingdao Rechi Electric Machinery Sales Company	Note 3(2)	NTD 4,480,152 (RMB 1,026,424)	NTD 1,770,651 (RMB 410,000)	NTD 1,265,797 (RMB 290,000)	NTD 1,213,419 (RMB 278,000)	-	28%	NTD 6,720,228 (RMB 1,539,636)	N	N	Y	
2	Dyna Rechi Co., Ltd.	Dyna Rechi Jiujiang Co., Ltd.	Note 2	581,450	NTD 188,070 (USD 6,000)	NTD 85,440 (USD 3,000)	NTD - (USD -)	-	7%	581,450	N	N	Y	
2	Dyna Rechi Co., Ltd.	Ablek Technology Co., Ltd.	Note 1	581,450	NTD 30,000	NTD 30,000	NTD -	-	3%	581,450	N	N	N	

Note 1: Subsidiaries in which at least 50% of the ordinary shares are held directly by the Company.

Note 2: Investees in which at least 50% of the ordinary shares are held by the Company and its subsidiaries in total.

Note 3: (1) A company with which it does business.

(2) Companies that are endorsed and guaranteed by each shareholder based on their shareholding ratio because of a joint investment relationship.

Note 4: (1) The upper limit of the Company's endorsement/guarantee provided to each entity is NT$8,838,243 (net worth) × 100% = NT$8,838,243.

(2) The upper limit of the Company's endorsements/guarantees provided is NT$8,838,243 (net worth) × 150% = NT$13,257,365.

(3) The upper limit of the Rechi Precision (Qingdao) Electric Machinery Limited's endorsement/guarantee provided to each entity is RMB 1,026,424 (net worth) × 100% = RMB 1,026,424.

(4) The upper limit of the Rechi Precision (Qingdao) Electric Machinery Limited's endorsements/guarantees provided is RMB 1,026,424 (net worth) × 150% = RMB 1,539,636.

(5) The upper limit of the Dyna Rechi Co., Ltd.'s endorsement/guarantee provided to each entity is NT$1,162,900 (net worth) × 50% = NT$581,450.

(6) The upper limit of the Dyna Rechi Co., Ltd.'s endorsements/guarantees provided is NT$1,162,900 (net worth) × 50% = NT$581,450.

Note 5: The amount endorsement/guarantee provided by the Rechi Precision (Qingdao) Electric Machinery Limited to the Qingdao Rechi Electric Machinery Sales Company is jointly endorsed by the Rechi Precision (Qingdao) Electric Machinery Limited and the TCL Rechi (Huizhou) Refrigeration Equipment Company Limited.

Note 6: Measured based on the exchange rate at the end of the period.

Note 7: The Company provides letters of guarantee issued by banks of NT$10,000 thousand to the Customs Administration as an endorsement/guarantee for tariff.

Note 8: Subsidiary Dyna Rechi Co., Ltd. provides letters of guarantee issued by banks of NT$500 thousand to the Customs Administration as an endorsement/guarantee for tariff.

RECHI PRECISION CO., LTD. and its subsidiaries

Marketable securities held – end of year

December 31, 2020

Table 3

Unit: Thousand shares/NTD thousand or in thousands in foreign currencies

Holding company	Types and names of securities	Relationship with the securities issuer	Account titles in book	At ending				Note
				Number of shares	Book value	Shareholding ratio	Fair value	
RECHI PRECISION CO., LTD.	D-Shares of Qingdao Haier Co., Ltd.	None	The financial assets measured for the fair values through other comprehensive income- current	19,048	$ 1,067,276	-	$ 1,067,276	Note 1
Rechi Investments Co., Ltd.	China Steel Corporation	None	The financial assets measured for the fair values through other comprehensive income- current	2,218	54,906	-	54,906	Note 1
	Sharp Corporation	None	Financial assets at fair value through profit or loss – current	20	8,643	-	8,643	Note 1
	Bigbest Solutions, Inc.	None	The financial assets measured for the fair values through other comprehensive income – non-current	600	-	0.9%	-	-
	Magnpower Corporation	None	The financial assets measured for the fair values through other comprehensive income – non-current	3,000	25,500	7.5%	25,500	-
Rechi Refrigeration Dongguan Co., Ltd.	Accumulation wealth management product	None	Financial assets at fair value through profit or loss – current	-	21,824	-	21,824	Note 2
	Zhao-Jin wealth management product of China Merchants Bank Co., Ltd.	None	Financial assets at fair value through profit or loss – current	-	19,642	-	19,642	Note 2
	Fu-Guo-Ying-Jia No. 2 wealth management product	None	Financial assets at fair value through profit or loss – current	-	43,648	-	43,648	Note 2
Dongguan Rechi Compressor Co., Ltd.	Accumulation wealth management product	None	Financial assets at fair value through profit or loss – current	-	7,857	-	7,857	Note 2
	Fu-Guo-Ju-Bao-Pen No. 6 wealth management product	None	Financial assets at fair value through profit or loss – current	-	87,296	-	87,296	Note 2
	Fu-Guo-Ying-Jia No. 1 wealth management product	None	Financial assets at fair value through profit or loss – current	-	96,026	-	96,026	Note 2

(Continued on next page)

(Continued from previous page)

Holding company	Types and names of securities	Relationship with the securities issuer	Account titles in book	At ending				Note
				Number of shares	Book value	Shareholding ratio	Fair value	
Qingdao Rechi Electric Machinery Sales Company	Min-Sheng-Cui-Zhu – Thursday Public Sharing wealth management product	None	Financial assets at fair value through profit or loss – current	-	$ 244,430	-	$ 244,430	Note 2
	Min-Sheng-Cui-Zhu – Friday Public Sharing wealth management product	None	Financial assets at fair value through profit or loss – current	-	39,283	-	39,283	Note 2
	Fu-Guo-Ju-Bao-Pen No. 3 wealth management product	None	Financial assets at fair value through profit or loss – current	-	43,648	-	43,648	Note 2
	Fu-Guo-Ju-Bao-Pen No. 12 wealth management product	None	Financial assets at fair value through profit or loss – current	-	43,648	-	43,648	Note 2
	e-Ling-Tong wealth management product of Industrial and Commercial Bank of China Limited	None	Financial assets at fair value through profit or loss – current	-	30,554	-	30,554	Note 2
Rechi Precision (Qingdao) Electric Machinery Limited	Bu-Bu-Zeng-Ying wealth management product of Hua Xia Bank	None	Financial assets at fair value through profit or loss – current	-	78,567	-	78,567	Note 2
	e-Ling-Tong wealth management product of Industrial and Commercial Bank of China Limited	None	Financial assets at fair value through profit or loss – current	-	52,378	-	52,378	Note 2
	Min-Sheng-Cui-Zhu – Wednesday Public Sharing wealth management product	None	Financial assets at fair value through profit or loss – current	-	43,648	-	43,648	Note 2
	Accumulation wealth management product	None	Financial assets at fair value through profit or loss – current	-	34,919	-	34,919	Note 2
	Fu-Guo-Ju-Bao-Pen No. 5 wealth management product	None	Financial assets at fair value through profit or loss – current	-	130,944	-	130,944	Note 2
	Fu-Guo-Ju-Bao-Pen No. 13 wealth management product	None	Financial assets at fair value through profit or loss – current	-	43,648	-	43,648	Note 2
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Fu-Guo-Ju-Bao-Pen No. 10 wealth management product	None	Financial assets at fair value through profit or loss – current	-	43,648	-	43,648	Note 2

Note 1: The fair values were calculated based on the closing prices of the stocks, funds, and investees at the end of December 2020.

Note 2: The fair value measurement is based on the quoted prices offered the counterparties as the valuation techniques and significant unobservable inputs to calculate the expected return on such investments.

RECHI PRECISION CO., LTD. and its 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

Table 4

Unit: NT$1 thousand

Purchase (sale) company	Counterparties	Relation	Transactions				Trading terms different from general trade and reasons		Notes and accounts receivable (payable)			Note
			Purchase (sale)	Amount	Proportion to total purchase (sale) (%)	The credit period	Unit price	The credit period	Title	Balance	Proportion to notes and accounts receivable (payable) (%)	
RECHI PRECISION CO., LTD.	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Subsidiary of Rechi Holdings Co., Ltd.	Purchase	$ 1,625,113	20	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts payable	$ 346,989	15	
	Rechi Precision (Qingdao) Electric Machinery Limited	Subsidiary of Rechi Investments Holdings Co., Ltd.	Purchase	4,662,092	58	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts payable	1,522,264	66	
	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary of Rechi Holdings Co., Ltd.	Purchase	1,013,994	13	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts payable	254,770	11	
	Rechi Refrigeration Dongguan Co., Ltd.	Subsidiary of GR Holdings (Hong Kong) Limited	Purchase	346,722	4	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts payable	143,836	6	
Rechi Refrigeration Dongguan Co., Ltd.	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Subsidiary of Rechi Holdings Co., Ltd.	Sale	1,459,465	64	O/A with net 60 days via T/T	No significant difference	O/A with net 60–90 days via T/T	Accounts receivable	443,025	55	
			Purchase	149,116	7	O/A with net 60 days via T/T	No significant difference	O/A with net 60–90 days via T/T	Accounts payable	11,163	3	
	Rechi Precision (Qingdao) Electric Machinery Limited	Subsidiary of Rechi Investments Holdings Co., Ltd.	Sale	215,446	10	O/A with net 60 days via T/T	No significant difference	O/A with net 60–90 days via T/T	Accounts receivable	61,568	8	
	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary of Rechi Holdings Co., Ltd.	Sale	173,202	8	O/A with net 60 days via T/T	No significant difference	O/A with net 60–90 days via T/T	Accounts receivable	117,700	15	
	RECHI PRECISION CO., LTD.	Ultimate parent company	Sale	346,722	15	60–90 days from reimbursement	No significant difference	O/A with net 60–90 days via T/T	Accounts receivable	143,836	18	
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Rechi Precision (Huizhou) Mechanism Company	Subsidiary	Purchase	1,231,259	24	O/A with net 90 days via T/T	No significant difference	O/A with net 30–150 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts payable Payable notes	478,238 811,856	35 33	
	RECHI PRECISION CO., LTD.	Ultimate parent company	Sale	1,625,113	30	60–90 days from reimbursement	No significant difference	O/A with net 30–150 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	346,989	21	
	Rechi Refrigeration Dongguan Co., Ltd.	Subsidiary of GR Holdings (Hong Kong) Limited	Sale	149,116	3	O/A with net 60 days via T/T	No significant difference	O/A with net 30–150 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	11,163	1	
			Purchase	1,459,465	29	O/A with net 60 days via T/T	No significant difference	O/A with net 30–150 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	443,025	33	

(Continued on next page)

(Continued from previous page)

Purchase (sale) company	Counterparties	Relation	Transactions				Trading terms different from general trade and reasons		Notes and accounts receivable (payable)			Note
			Purchase (sale)	Amount	Proportion to total purchase (sale) (%)	The credit period	Unit price	The credit period	Title	Balance	Proportion to notes and accounts receivable (payable) (%)	
	Qingdao Rechi Electric Machinery Sales Company	Subsidiary	Sale	$ 3,645,737	67	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 30–150 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	$ 1,224,352	75	
									Notes receivable	159,274	9	
Rechi Precision (Huizhou) Mechanism Company	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Parent company	Sale	1,231,259	99	O/A with net 90 days via T/T	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	478,238	100	
									Notes receivable	811,856	100	
Rechi Precision (Qingdao) Electric Machinery Limited	RECHI PRECISION CO., LTD.	Ultimate parent company	Sale	4,662,092	65	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	1,522,264	73	
	Qingdao Rechi Electric Machinery Sales Company	Subsidiary	Sale	2,529,031	35	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	556,026	27	
									Notes receivable	255,282	40	
	Rechi Refrigeration Dongguan Co., Ltd.	Subsidiary of GR Holdings (Hong Kong) Limited	Purchase	215,446	3	O/A with net 60 days via T/T	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	61,568	5	
	Qingdao China Steel Precision Metal Co., Ltd.	Affiliated enterprises	Purchase	430,365	7	7 days from arrival of goods/O/A via 180-day bank acceptance bill	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	44,867	4	
									Payable notes	7,376	-	
	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary of Rechi Holdings Co., Ltd.	Purchase	107,824	2	O/A with net 90 days via T/T	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	41,791	4	
Qingdao Rechi Electric Machinery Sales Company	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Parent company	Purchase	3,645,737	37	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	1,224,352	40	
									Payable notes	159,274	5	
	Rechi Precision (Qingdao) Electric Machinery Limited	Parent company	Purchase	2,529,031	26	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	556,026	18	
									Payable notes	255,282	8	
	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary of Rechi Holdings Co., Ltd.	Purchase	3,338,211	34	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	1,197,283	39	
									Payable notes	1,072,817	34	
	Dyna Rechi Jiujiang Co., Ltd.	Subsidiary of Dyna Rechi Holdings Co., Ltd.	Purchase	294,160	3	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	66,101	2	
									Payable notes	47,402	2	
Rechi Precision (Jiujiang) Electric Machinery Limited	Qingdao Rechi Electric Machinery Sales Company	Subsidiary of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited and Rechi Precision (Qingdao) Electric Machinery Limited	Sale	3,338,211	73	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	1,197,283	78	
									Notes receivable	1,072,817	95	
	RECHI PRECISION CO., LTD.	Ultimate parent company	Sale	1,013,994	22	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	254,770	17	

(Continued on next page)

(Continued from previous page)

Purchase (sale) company	Counterparties	Relation	Transactions				Trading terms different from general trade and reasons		Notes and accounts receivable (payable)			Note
			Purchase (sale)	Amount	Proportion to total purchase (sale) (%)	The credit period	Unit price	The credit period	Title	Balance	Proportion to notes and accounts receivable (payable) (%)	
Dyna Rechi Jiujiang Co., Ltd.	Rechi Refrigeration Dongguan Co., Ltd.	Subsidiary of GR Holdings (Hong Kong) Limited	Purchase	$ 173,202	4	O/A with net 60 days via T/T	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	$ 117,700	12	
	Dyna Rechi Jiujiang Co., Ltd.	Subsidiary of Dyna Rechi Holdings Co., Ltd.	Purchase	1,713,205	39	O/A with net 90 days via T/T	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	279,538	28	
									Payable notes	8,730	1	
	Rechi Precision (Qingdao) Electric Machinery Limited	Subsidiary of Rechi Investments Holdings Co., Ltd.	Sale	107,824	2	O/A with net 90 days via T/T	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	41,791	3	
	Jiangxi Baida Precision Manufacturing Corp.	Affiliated enterprises	Purchase	206,562	5	O/A with net 30 days via 180-day bank acceptance bill	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts payable	89,852	9	
									Payable notes	57,083	7	
	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary of Rechi Holdings Co., Ltd.	Sale	1,713,205	77	O/A with net 90 days via T/T	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	279,538	65	
									Notes receivable	8,730	15	
	Qingdao Rechi Electric Machinery Sales Company	Subsidiary of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited and Rechi Precision (Qingdao) Electric Machinery Limited	Sale	294,160	13	O/A with net 60 days via 180-day bank acceptance bill	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	66,101	15	
									Notes receivable	47,402	83	
	Dyna Rechi Co., Ltd.	Parent company	Sale	185,449	8	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days/O/A with net 60 days via 180-day bank acceptance bill	Accounts receivable	69,997	17	
Dyna Rechi Co., Ltd.	Dyna Rechi Jiujiang Co., Ltd.	Sub-subsidiary	Purchase	185,449	85	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts payable	69,997	90	
Ablek Technology Co., Ltd.	Ablek Technology Ltd.	Sub-subsidiary	Purchase	199,089	100	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts payable	67,485	100	
Ablek Technology Ltd.	Ablek Technology Co., Ltd.	Parent company	Sale	199,089	69	60–90 days from reimbursement	No significant difference	O/A with net 30–120 days	Accounts receivable	67,485	93	

RECHI PRECISION CO., LTD. and its subsidiaries

Accounts receivable from related parties for an amount exceeding NT$100 million or 20% of paid-in capital

December 31, 2020

Table 5

Unit: NT$1 thousand

The company booked in the receivables	Name of counterparty	Relation	Receivables from related party	Turnover rate	Overdue Receivables from related parties		Receivables amount collected from related parties subsequently	Amount of provision for bad debts
					Amount	Process		
RECHI PRECISION CO., LTD.	Rechi Precision (Qingdao) Electric Machinery Limited	Subsidiary of Rechi Investments Holdings Co., Ltd.	Other receivables (Note 1) 352,293	-	$ -	-	$ -	$ -
	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary of Rechi Holdings Co., Ltd.	Other receivables (Note 1) 356,470	-	-	-	-	-
	Dyna Rechi Jiujiang Co., Ltd.	Subsidiary of Dyna Rechi Holdings Co., Ltd.	Other receivables (Note 1) 219,407	-	-	-	-	-
Rechi Holdings Co., Ltd.	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary	Other receivables (Note 2) 1,281,600	-	-	-	-	-
Rechi Refrigeration Dongguan Co., Ltd.	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Subsidiary of Rechi Holdings Co., Ltd.	Accounts receivable 443,025	3.36	-	-	382,504	-
	RECHI PRECISION CO., LTD.	Ultimate parent company	Accounts receivable 143,836	2.46	-	-	80,978	-
	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary of Rechi Holdings Co., Ltd.	Accounts receivable 117,700	1.50	-	-	117,631	-
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	RECHI PRECISION CO., LTD.	Ultimate parent company	Accounts receivable 346,989	4.78	-	-	311,043	-
	Qingdao Rechi Electric Machinery Sales Company	Subsidiary	Accounts receivable 1,224,352	2.69	-	-	787,141	-
			Notes receivable 159,274	2.69	-	-	141,868	-
Rechi Precision (Huizhou) Mechanism Company	TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Parent company	Accounts receivable 478,238	0.97	-	-	251,786	-
			Notes receivable 811,856	0.97	-	-	161,498	-
Rechi Precision (Qingdao) Electric Machinery Limited	RECHI PRECISION CO., LTD.	Ultimate parent company	Accounts receivable 1,552,264	3.12	-	-	1,262,592	-
	Qingdao Rechi Electric Machinery Sales Company	Subsidiary	Accounts receivable 556,026	3.18	-	-	530,857	-
			Notes receivable 255,282	3.18	-	-	254,713	-
Rechi Precision (Jiujiang) Electric Machinery Limited	RECHI PRECISION CO., LTD.	Ultimate parent company	Accounts receivable 254,770	4.06	-	-	246,852	-

(Continued on next page)

(Continued from previous page)

The company booked in the receivables	Name of counterparty	Relation	Receivables from related party	Turnover rate	Overdue Receivables from related parties		Receivables amount collected from related parties subsequently	Amount of provision for bad debts
					Amount	Process		
	Qingdao Rechi Electric Machinery Sales Company	Subsidiary of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited and Rechi Precision (Qingdao) Electric Machinery Limited	Accounts receivable 1,197,283	1.50	$ -	-	$ 714,912	$ -
			Notes receivable 1,072,817	1.50	-	-	423,503	-
	Dyna Rechi Jiujiang Co., Ltd.	Subsidiary of Dyna Rechi Holdings Co., Ltd.	Other receivables (Note 2) 133,049	-	-	-	12	-
Dyna Rechi Jiujiang Co., Ltd.	Rechi Precision (Jiujiang) Electric Machinery Limited	Subsidiary of Rechi Holdings Co., Ltd.	Accounts receivable 279,538	6.06	-	-	279,538	-
			Notes receivable 8,730	6.06	-	-	8,730	-
	Qingdao Rechi Electric Machinery Sales Company	Subsidiary of TCL Rechi (Huizhou) Refrigeration Equipment Company Limited and Rechi Precision (Qingdao) Electric Machinery Limited	Accounts receivable 66,101	2.64	-	-	40,417	-
			Notes receivable 47,402	2.64	-	-	46,136	-
Dongguan Rechi Compressor Co., Ltd.	Dyna Rechi Jiujiang Co., Ltd.	Subsidiary of Dyna Rechi Holdings Co., Ltd.	Other receivables (Note 2) 131,024	-	-	-	-	-

Note 1:It includes loans provided to others and advance payments receivable.

Note 2:It refers to loans provided to others.

RECHI PRECISION CO., LTD. and its subsidiaries

Information on Investees

For the Year Ended December 31, 2020

Table 6

Unit: Thousand shares/NTD thousand or in thousands in foreign currencies

Investor	Name of investee	Location	Principal business	Sum of initial investment		Ending shareholding			Current period profit/loss of the investee	Recognized investment Income	Note
				Current period-end	Previous period-end	Number of shares	Percentage (%)	Book value			
RECHI PRECISION CO., LTD.	Rechi Holdings Co., Ltd.	British Virgin Islands	Investment business	$ 8,194,085	$ 8,194,085	-	100.00	$ 11,092,363	$ 776,620	$ 766,807	Subsidiary
	Rechi Investments Co., Ltd.	Taiwan	Investment business	195,000	195,000	39,000	100.00	347,573	3,402	3,402	Subsidiary
	Dyna Rechi Co., Ltd.	Taiwan	BLDC Motor	720,000	720,000	72,000	42.20	490,790	(60,733)	(25,632)	Subsidiary
Rechi Holdings Co., Ltd.	Rechi International Holdings Co., Ltd.	British Virgin Islands	Investment business	USD 25,768	USD 25,768	-	100.00	USD 34,947	USD 1,576	N/A	Sub-subsidiary
	Rechi Investments Holdings Co., Ltd.	British Virgin Islands	Investment business	USD 90,000	USD 90,000	-	100.00	USD 157,142	USD 14,396	N/A	Sub-subsidiary
Rechi International Holdings Co., Ltd.	GR Holdings (Hong Kong) Limited	Hong Kong	Investment business	USD 25,701	USD 25,701	-	100.00	USD 34,778	USD 1,580	N/A	Third-tier subsidiaries.
Dyna Rechi Co., Ltd.	Dyna Rechi Holdings Co., Ltd.	Samoa	Investment business	784,303	784,303	-	100.00	775,232	49,726	N/A	Sub-subsidiary
	Ablek Technology Co., Ltd.	Taiwan	Sales business	90,746	90,746	7,004	100.00	144,771	(32)	N/A	Sub-subsidiary
Ablek Technology Co., Ltd.	Ablek Technology Ltd.	Samoa	Investment business	90,919	90,919	-	100.00	89,682	861	N/A	Third-tier subsidiaries.

Note 1: For information on investments in Mainland China, please refer to Table 7.

RECHI PRECISION CO., LTD. and its subsidiaries

Information regarding investment in the territory of Mainland China

For the Year Ended December 31, 2020

Table 7

Unit: NTD thousand or in thousands in foreign currencies

Names of investees in China	Principal business	Paid-up capital	Mode of investments	Accumulated amount of investment remitted from Taiwan at beginning	Amount of investment remitted or recovered in current period		Accumulated amount of investment remitted from Taiwan at ending	Current period profit/loss of the investee	The Company's directly or indirectly invested shareholding	Investment gains (losses) recognized for current period (Note 4)	Book value of investment at ending	The investment income received at the end of the current period	Note
					Outward remittance	Recover							
Rechi Refrigeration Dongguan Co., Ltd.	Refrigerant compressor motors and air conditioner accessories	NTD 215,081 (USD 7,552)	Note 2	NTD 720,288 (USD 25,291)	$ -	$ -	NTD 720,288 (USD 25,291)	$ 49,269	100.00	$ 49,269	NTD 953,006 (USD 33,462)	NTD 366,708 (USD 12,876)	
Dongguan Rechi Compressor Co., Ltd.	Rotary refrigerant compressors	NTD 257,402 (USD 9,038)	Note 1	NTD 297,588 (USD 10,449)	-	-	NTD 297,588 (USD 10,449)	6,972	100.00	6,972	NTD 356,017 (USD 12,501)	NTD 43,574 (USD 1,530)	
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Rotary refrigerant compressors	NTD 2,043,212 (USD 71,742)	Note 1	NTD 944,511 (USD 33,164)	-	-	NTD 944,511 (USD 33,164)	214,437	77.78	166,784	NTD 2,316,248 (USD 81,329)	NTD 1,802,385 (USD 63,286)	
Rechi Precision (Huizhou) Mechanism Company	Rotary refrigerant compressor components	NTD 1,348,500 (USD 47,349)	Note 1	NTD 85,440 (USD 3,000)	-	-	NTD 85,440 (USD 3,000)	8,436	77.78	6,561	NTD 1,172,982 (USD 41,186)	NTD 165,924 (USD 5,826)	
Rechi Precision (Qingdao) Electric Machinery Limited	Rotary refrigerant compressor components	NTD 2,563,200 (USD 90,000)	Note 2	NTD 797,440 (USD 28,000) (Note 7)	-	-	NTD 797,440 (USD 28,000) (Note 7)	425,392	100.00	425,392	NTD 4,480,150 (USD 157,309)	NTD 2,305,342 (USD 80,946)	
Qingdao Rechi Electric Machinery Sales Company	Sales business	NTD 30,554 (RMB 7,000)	Note 9	NTD - (RMB -)	-	-	NTD - (RMB -)	64,641	88.89	57,460	NTD 292,015 (RMB 66,902)	-	
Qingdao China Steel Precision Metal Co., Ltd.	Processing production	NTD 569,600 (USD 20,000)	Note 1	NTD - (USD -)	-	-	NTD - (USD -)	14,259	30.00	4,278	NTD 184,100 (USD 6,464)	NTD 4,842 (USD 170)	
Dyna Rechi Jiujiang Co., Ltd.	Refrigerant compressor motors and BLDC motors	NTD 1,127,061 (RMB 258,215)	Note 3	NTD 708,741 (RMB 162,376) (Note 10)	-	-	NTD 708,741 (RMB 162,376) (Note 10)	77,177	62.72	48,407	NTD 753,281 (RMB 172,580)	-	
Rechi Precision (Jiujiang) Electric Machinery Limited	Rotary refrigerant compressors	NTD 1,879,680 (USD 66,000)	Note 1	NTD 1,879,680 (USD 66,000)	-	-	NTD 1,879,680 (USD 66,000)	132,512	100.00	132,512	NTD 2,017,310 (USD 70,833)	-	
Jiangxi Baida Precision Manufacturing Corp.	Processing production	NTD 1,091,382 (USD 38,321)	Note 1	NTD 327,406 (USD 11,496)	-	-	NTD 327,406 (USD 11,496)	(9,699)	30.00	(2,910)	NTD 334,132 (USD 11,732)	-	
Ablek Technology Ltd.	Home appliance motors	NTD 19,936 (USD 700)	Note 11	NTD - (USD -)	-	-	NTD - (USD -)	2,999	42.20	1,266	NTD 11,300 (RMB 2,589)	-	

Accumulated investment from Taiwan to Mainland China at ending	Amount of investment approved by Investment Commission of MOEA	Investment amount approved by the Investment Commission MOEAIC
NTD 5,761,094	NTD 4,425,080 (US$155,375) (Note 5)	(Note 6)

Note 1: The Company has established a holding company (Rechi Holdings Co., Ltd.) in the British Virgin Islands and invested in the establishment of Rechi International Holdings Co., Ltd., Rechi Investments Holdings Co., Ltd., TCL Rechi (Huizhou) Refrigeration Equipment Company Limited, Dongguan Rechi Compressor Co., Ltd., Rechi Precision (Huizhou) Mechanism Company, Qingdao China Steel Precision Metal Co., Ltd., Rechi Precision (Jiujiang) Electric Machinery Limited, and Jiangxi Baida Precision Manufacturing Corp. through Rechi Holdings Co., Ltd.

Note 2: Through GR Holdings (Hong Kong) Limited and Rechi Investments Holdings Co., Ltd., the Company has invested in the establishment of Rechi Refrigeration Dongguan Co., Ltd. and Rechi Precision (Qingdao) Electric Machinery Limited in Mainland China.

Note 3: The Company's subsidiary Dyna Rechi Co., Ltd. has invested in the establishment of Dyna Rechi Jiujiang Co., Ltd. in Mainland China through Dyna Rechi Holdings Co., Ltd.

Note 4: Recognized based on the financial statements audited by independent accountants.

Note 5: Investment amounts authorized by Investment Commission, Ministry of Economic Affairs

Name of investee in China	Amount
Rechi Refrigeration Dongguan Co., Ltd.	USD 12,999
Dongguan Rechi Compressor Co., Ltd.	8,920
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	-
Rechi Precision (Huizhou) Mechanism Company	6,566
Rechi Precision (Qingdao) Electric Machinery Limited	16,960
Qingdao China Steel Precision Metal Co., Ltd.	5,849
Dyna Rechi Jiujiang Co., Ltd.	25,800
Rechi Precision (Jiujiang) Electric Machinery Limited	66,000
Jiangxi Baida Precision Manufacturing Corp.	11,581
Ablek Technology Ltd.	700
	USD 155,375

Note 6: It has been approved to not be subject to the upper limit of the investment amount or percentage as it meets the proviso of Point 3 of the "Principles for the Review of Investment or Technical Collaboration in Mainland China" per the Jin-Shou-Gong Letter No. 10320409110 issued by the Industrial Development Bureau, Ministry of Economic Affairs (MOEA).

Note 7: The difference between the amount of paid-in capital and the accumulated investment amount remitted from Taiwan at the end of the period is due to direct investment by Rechi Holdings Co., Ltd. with its own funds.

Note 8: The difference between the accumulated investment amount remitted from Taiwan at the end of the period and the amount approved by the Investment Commission, MOEA, is due to the capitalization of earnings and the repatriation of earnings.

Note 9: It is the joint investment by TCL Rechi (Huizhou) Refrigeration Equipment Company Limited and Rechi Precision (Qingdao) Electric Machinery Limited, each with a 50% shareholding percentage.

Note 10: The difference between the amount of paid-in capital and the accumulated investment amount remitted from Taiwan at the end of the period is due to the direct investment by Rechi Precision (Jiujiang) Electric Machinery Limited with its own funds.

Note 11: Ablek Technology Co., Ltd., the sub-subsidiary of the Company, invests in Ablek Technology Ltd. in China through Ablek Technology Ltd.

RECHI PRECISION CO., LTD. and its subsidiaries

Significant direct transactions with the investee in Mainland China or indirectly through third regions, its prices, terms of payment, unrealized gain or loss, and other relevant information.

For the Year Ended December 31, 2020

Table 8

Unit: NT$1 thousand

Names of investees in China	Transaction type	Purchase/Sale		Price	Terms and conditions		Notes and accounts receivable (payable)		Unrealized gains or losses	Note
		Amount	Percentage		Payment terms	Comparison with general transactions	Amount	Percentage		
TCL Rechi (Huizhou) Refrigeration Equipment Company Limited	Purchase	$ 1,625,113	20	Normal	60–90 days from reimbursement	Normal	($ 346,989)	15	$ 2,139	
Rechi Precision (Qingdao) Electric Machinery Limited	Purchase	4,662,092	58	Normal	60–90 days from reimbursement	Normal	(1,522,264)	66	9,018	
Rechi Precision (Jiujiang) Electric Machinery Limited	Purchase	1,013,994	13	Normal	60–90 days from reimbursement	Normal	(254,770)	11	788	
Rechi Refrigeration Dongguan Co., Ltd.	Purchase	346,722	4	Normal	60–90 days from reimbursement	Normal	(143,836)	6	982	

RECHI PRECISION CO., LTD.

Information on Major Shareholders

December 31, 2020

Table 9

Names of Dominant Shareholders	Shares	
	Shares	Shareholding ratio
SAMPO CORPORATION	135,610,160	26.85%
Fubon Life Insurance Co., Ltd.	27,546,703	5.45%

Note 1: The major shareholders in this table are shareholders holding more than 5% of the ordinary and preference shares with dematerialized registration and delivery completed (including treasury stocks) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. The share capital recorded in the Company's individual financial statements and the number of shares actually delivered by the Company with the dematerialized registration completed may differ due to different calculation bases.

§Table of Contents of Statements of Significant Accounting Titles§

Item	No./Index
Statement of assets, liabilities and equity	
Cash and cash equivalent Statement	Statement 1
The financial assets measured for the fair values through other comprehensive income- current	Statement 2
Statement of Notes Receivable	Note 8
Accounts receivable statement	Statement 3
Statement of Inventories	Statement 4
Statement of Changes in Investment under the equity method	Statement 5
Property, plant, and equipment list	Note 11
Statement of Changes in the Accumulated Depreciation of Real Properties, Plants and Equipment	Note 11
Statement of Changes in the Accumulated Impairment of Real Properties, Plants and Equipment	Note 11
Details of deferred income tax asset	Note 19
Statement of short-term borrowings	Statement 6
Statement of short-term notes payables	Note 13
Other payables statement	Note 14
Statement of long-term borrowings	Statement 7
Statement of long-term notes payables	Note 13
Statement of deferred income tax liabilities	Note 19
Statement of profits and loss	
Statement of operating income	Statement 8
Statement of operating cost	Statement 9
Statement of operating expenses	Statement 10
Statement of employee benefits, depreciation, depletion, and amortization expenses of the year by function	Statement 11

RECHI PRECISION CO., LTD.

Cash and cash equivalent Statement

December 31, 2020

Statement 1

Unit: NTD thousand or in foreign currencies

Item	Summary	Amount
Cash on hand		$ 98
Check deposits		20
Current deposits		20,308
Foreign currency deposits	USD5,808,747x28.48 INR2,619,654x0.3855 EUR1,224,844x35.02 THB286,491x0.9556 RMB29,629×4.3648	209,740
		$ 230,166

RECHI PRECISION CO., LTD.

Statement of the financial assets measured for the fair values through other comprehensive income – current

December 31, 2020

Statement 2

Unit: Thousand shares/NTD thousand except for NTD for unit price

Name of financial instrument	Number of shares	Total amount	Cost of acquisition	Fair value		Note
				Unit price (Note 1)	Total amount	
Listed stocks – overseas						
D-shares Of Qingdao Haier Co., Ltd.	19,048	$ 1,067,276	$ 712,200	56.03	$ 1,067,276	Note 2

Note 1: The market price of overseas listed stocks was calculated based on the closing price on December 31, 2020.

Note 2: No guarantee or collateral was provided.

RECHI PRECISION CO., LTD.

Accounts receivable statement

December 31, 2020

Statement 3 Unit: NT$1 thousand

Name of customer	Amount
Customer A	$ 643,691
Customer B	421,085
Customer C	321,189
Customer D	129,796
Customer E	116,200
Others (aggregate amount for customers accounting for within 5%)	636,824
	2,268,785
Less: Allowance for losses	(11,659)
	$ 2,257,126

RECHI PRECISION CO., LTD.

Statement of Inventories

December 31, 2020

Statement 4 Unit: NT$1 thousand

Item	Amount	
	Costs	Market price (Note)
Raw materials	$ 55,364	$ 53,293
Work-in-process	6,885	7,070
Finished products	132,564	175,147
Merchandise inventories	8,941	9,973
Inventory in-transit	189,945	202,942
Spare parts for repair and maintenance	47,734	42,757
	441,433	$ 491,182
Less: Allowance for inventory devaluation and obsolescence	(16,120)	
	$ 425,313	

Note: Net realizable value.

RECHI PRECISION CO., LTD.

Statement of Changes in Investment under the equity method

For the Year Ended December 31, 2020

Statement 5

Unit: Thousand shares/NTD thousand

Company name	Balance, beginning of year		Increase in current period		Decrease in current period		Equity method Investment income	Balance, end of year			Equity net value or market price (Note 4)	Valuation basis	Collateral or pledge
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount		Number of shares	Sharehold ing ratio (%)	Amount			
Rechi Holdings Co., Ltd. (Note 1)	-	$10,872,539	-	$ 136,829	-	($ 683,812)	$ 766,807	-	100	$11,092,363	$11,199,751	Equity method	None
Rechi Investments Co., Ltd. (Note 2)	39,000	344,025	-	146	-	-	3,402	39,000	100	347,573	347,573	Equity method	None
Dyna Rechi Co., Ltd. (Note 3)	72,000	511,858	-	4,564	-	-	(25,632)	72,000	42.20	490,790	490,790	Equity method	None
		$11,728,422		$ 141,539		($ 683,812)	$ 744,577			$11,930,726	$12,038,114		

Note 1: The increase this year was due to an increase of NT$136,829 thousand in the exchange differences from the translation of financial statements of foreign operations; the decrease this year was due to the cash dividends distributed in the amount of NT$683,812 thousand by subsidiaries recognized using the equity method.

Note 2: The increase this year was due to the recognition of unrealized gains on the financial assets of the investees.

Note 3: The increase this year was due to the increase in the exchange differences from the translation of financial statements of foreign operations.

Note 4: The difference between the book value and the net equity value is the realized/unrealized gross profit on subsidiaries and the goodwill of the investment in subsidiaries.

RECHI PRECISION CO., LTD.

Statement of short-term borrowings

December 31, 2020

Statement 6 Unit: NT$1 thousand

Type of Loans	Remark	Closing balance	Agreement Terms	Interest rate range (%)	Financing amount	Collateral and Mortgage
Credit loan	Working capital loan	$ 41,849	2020.12.29–2021.01.26	Note	$ 483,700	None
Credit loan	Working capital loan	665,000	2020.12.28–2021.03.25	Note	700,000	None
		$ 706,849			$ 1,183,700	

Note: Interest rate range is 0.80%–0.96%.

RECHI PRECISION CO., LTD.

Statement of long-term borrowings

December 31, 2020

Statement 7

Unit: NT$1 thousand

Creditor	Agreement Terms	Repayment method	Annual rate (%)	Amount			Collateral or Mortgage	Note
				Due within 1 year or 1 operating cycle	Mature beyond one year	Total		
Jih Sun International Commercial Bank	2020.06.19–2022.06.19	Repayment in a lump sum upon maturity		$ -	$ 400,000	$ 400,000	—	—
Far Eastern International Bank Co., Ltd.	2019.08.08–2022.04.26	Repayment in a lump sum upon maturity		-	200,000	200,000	—	—
Yuanta Bank	2020.07.21–2022.07.21	Repayment in a lump sum upon maturity		-	100,000	100,000	—	—
Mega International Commercial Bank	2019.07.26–2024.07.26	Repayment in a lump sum upon maturity		-	1,600,000	1,600,000	Land and building	—
Chang Hwa Commercial Bank, Ltd.	2019.12.25–2022.12.25	Repayment in four installments from March 25, 2022	0.85-1.50	-	200,000	200,000	—	—
Chang Hwa Commercial Bank, Ltd.	2019.10.15–2029.10.15	Monthly amortization and repayment of the principal and interest from November 15, 2022		-	120,780	120,780	—	—
Chang Hwa Commercial Bank, Ltd.	2020.02.26–2027.02.15	Monthly amortization and repayment of the principal and interest from March 15, 2023		-	278,300	278,300	—	—
Mizuho Bank	2020.12.25–2022.12.23	Repayment in a lump sum upon maturity		-	300,000	300,000	—	—
				$ -	$ 3,199,080	$ 3,199,080		

RECHI PRECISION CO., LTD.

Statement of operating income

For the Year Ended December 31, 2020

Statement 8 Unit: NT$1 thousand

Item	Quantity	Amount
Revenue from sales of compressors and compressor pumps	8,341 thousand units	$ 8,793,402
Others		98,391
Total sales income		8,891,793
Less: Sales discounts and allowances		(114,030)
Sales return		(48,227)
		$ 8,729,536

RECHI PRECISION CO., LTD.

Statement of operating cost

2020

Statement 9 Unit: NT$1 thousand

Item	Amount
Raw materials, beginning of period	$ 50,573
Add: Raw materials purchased in current period	700,159
Work-in-process/Finished products transferred in	106,188
Less: Work-in-process/Finished products transferred in	(14,522)
Materials allocated for outsourced processing	(11,002)
Other deductions	(6,299)
Raw materials, end of period	(55,364)
Material consumption in current period	769,733
Direct labor	41,389
Manufacturing overhead	97,635
Total manufacturing cost	908,757
Work in process – beginning	20,180
Add: Semi-finished products purchased	15,394
Less: Raw materials transferred in	(94,365)
Other deductions	(1,471)
Work in process – ending	(6,885)
Cost for finished goods	841,610
Opening finished products	92,549
Add: Accessories purchased	27,295
Raw materials transferred in	8,464
Other credits	9,978
Less: Raw materials transferred in	(5,765)
Finished products, end of period	(132,564)
Cost of goods sold in the manufacturing industry	841,567
Opening inventory	9,634
Add: Supplies purchased in current period	7,162,965
Less: Ending inventory	(8,941)
Cost of goods sold in the trading industry	7,163,658
Customs tax refund income	(717)
Gains on recovery of inventories and spare parts for repair and maintenance	(14,780)
Others	3,534
Cost of goods sold	$ 7,993,262

RECHI PRECISION CO., LTD.

Statement of operating expenses

For the Year Ended December 31, 2020

Statement 10 Unit: NT$1 thousand

Item	Marketing expenses	Administrative expenses	Research and development expenses	Total
Salaries	$ 45,319	$ 144,224	$ 97,055	$ 286,598
Utilities expense	-	2,216	13,052	15,268
Depreciation	581	7,180	29,490	37,251
Commission	16,115	-	-	16,115
Transportation expenses	70,136	58	358	70,552
Testing and inspection expenses	77	940	23,472	24,489
Others (Note)	19,354	50,899	20,398	90,651
	$ 151,582	$ 205,517	$ 183,825	$ 540,924

Note: The balance of each of other accounts did not exceed 5% of the amount of this account.

RECHI PRECISION CO., LTD.

Statement of employee benefits, depreciation, depletion, and amortization expenses

For the Years Ended December 31, 2020 and 2019

Statement 11 Unit: NT$1 thousand

	2020			2019		
Characteristics	Allocated as operating cost	Allocated as operating expenses	Total	Allocated as operating cost	Allocated as operating expenses	Total
Salaries and wages	$ 62,500	$ 267,175	$ 329,675	$ 52,560	$ 273,222	$ 325,782
Labor insurance and national health insurance	7,182	17,268	24,450	7,609	21,677	29,286
Pension expenses	2,964	9,714	12,678	3,034	11,861	14,895
Remuneration to directors	-	19,423	19,423	-	17,029	17,029
Other employee benefits expenses	6,111	10,381	16,492	5,274	13,564	18,838
Depreciation expenses	24,770	37,251	62,021	14,952	42,841	57,793
Amortization expenses	76	3,242	3,318	2	3,240	3,242
	$ 103,603	$ 364,454	$ 468,057	$ 83,431	$ 383,434	$ 466,865

Note 1: As of December 31, 2020 and 2019, the number of employees of the Company was 354 and 407, respectively, of which the number of directors who did not serve as employees concurrently was both 8.

Note 2: The average employee benefit expenses in 2020 and 2019 were NT$1,108 thousand and NT$974 thousand, respectively.

Note 3: The average employee salary expenses in 2020 and 2019 were NT$953 thousand and NT$816 thousand, respectively. The average employee salary expenses increased by 16.70%.

Note 4: Independent directors have been engaged in the current year and the previous year, so no supervisors were engaged.

Note 5: The salary and remuneration policy of the Company's directors, managers, and employees is as follows:

Directors and managers: The performance evaluation and remuneration of directors and managers are determined and confirmed based on the usual level of payment in the industry and the consideration for the reasonableness of the connection between individual performance, the Company's operating performance, and future risks before being reviewed by the remuneration committee and approved by the board of directors.

Employees: The employee remuneration is determined by the head of each unit according to the salary survey and analysis results, the Company's operating performance, and individual performance and achievement, and approved by the manager in charge of the business.