

**TECO ELECTRIC & MACHINERY CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020 AND 2019**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of TECO Electric & Machinery Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audit of the financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China, and our audit of the financial statements for the year ended December 31, 2019 in accordance with ‘Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants’, ‘Jin-Guan-Zheng-Shen-Zi Order No. 1090360805 as approved by the Financial Supervisory Commission’, and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors’ responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional

Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

Revenue recognition of export sales of heavy industrial products group

Description

Refer to Note 4(33) of the consolidated financial statements for the accounting policies on revenue recognition and Note 14 for the segment financial information. The Group disclosed the financial information of heavy industrial products group and home electric appliance division in the segment financial information. The heavy industrial products group handles the manufacturing and sales of various machinery, equipment and motors. The sales revenue of the heavy industrial products group amounted to NT\$30,189,481 thousand, representing 66% of the consolidated total sales revenue for the year ended December 31, 2020. Aside from domestic sales in Taiwan, the customers of heavy industrial products group are from China, America, Southeast Asia and Europe and the sales terms vary for different customers. Thus, we consider the revenue recognition of export sales of heavy industrial products group as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Obtained an understanding of and validated the internal controls over revenue recognition of export sales of heavy industrial products group to assess the effectiveness of the internal control process.
2. Validated selected samples of export sales revenue transactions of heavy industrial products group to confirm the existence of export sales revenue transactions.

Other matter – Reference to the audits of other auditors

As described in Notes 4(3) and 6(7) of the consolidated financial statements, we did not audit the financial statements of certain investments accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for under the equity method amounted to NT\$2,342,121 thousand and NT\$2,568,293 thousand, constituting 2% and 3% of the consolidated total assets as at December 31, 2020 and 2019, respectively, and total operating revenues amounted to NT\$2,844,491 thousand and NT\$2,949,066 thousand, both constituting 6% of consolidated total operating revenues for the years then ended, respectively. The investments accounted for under the equity method amounted to NT\$2,290,263 thousand and NT\$2,535,314 thousand, constituting 2% and 3% of consolidated total assets as of December 31, 2020 and 2019, respectively, the credit balance of investments accounted for under the equity method amounted to NT\$72,708 thousand and NT\$97,139 thousand, both constituting less than 1% of consolidated total assets as of December 31, 2020 and 2019, and the comprehensive income recognized from associates and joint ventures accounted for under the equity method amounted to NT(\$21,039) thousand and NT\$7,927 thousand, both constituting less than 1% of the consolidated total comprehensive income for the years then ended, respectively.

Other matter –Parent company only financial reports

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of TECO Electric & Machinery Co., Ltd. as of and for the years ended December 31, 2020 and 2019.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

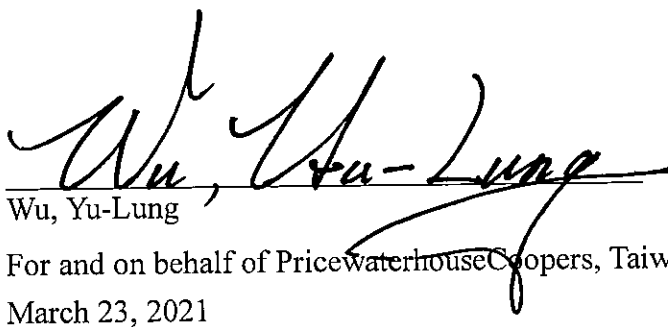
1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.


4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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


Wu, Yu-Lung
For and on behalf of PricewaterhouseCoopers, Taiwan
March 23, 2021


Chou, Chien-Hung

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

| Assets | | Notes | December 31, 2020 | | December 31, 2019 | |
|--------------------------|---|-------------|-------------------|-----|-------------------|-----|
| | | | AMOUNT | % | AMOUNT | % |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) and 8 | \$ 20,397,260 | 19 | \$ 19,111,371 | 19 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 114,185 | - | 126,945 | - |
| 1120 | Current financial assets at fair value through other comprehensive income | 6(3) | 1,280,081 | 1 | 1,065,729 | 1 |
| 1140 | Current contract assets | | 1,452,202 | 2 | 1,521,080 | 2 |
| 1150 | Notes receivable, net | 6(5) and 8 | 1,172,638 | 1 | 1,118,731 | 1 |
| 1160 | Notes receivable - related parties | 7 | 12,264 | - | 1,457 | - |
| 1170 | Accounts receivable, net | 6(5) | 8,867,397 | 9 | 8,780,047 | 9 |
| 1180 | Accounts receivable - related parties | 7 | 235,939 | - | 232,293 | - |
| 1200 | Other receivables | | 282,185 | - | 497,877 | - |
| 1210 | Other receivables - related parties | 7 | 72,460 | - | 81,369 | - |
| 130X | Inventories, net | 6(6) | 9,627,248 | 9 | 9,853,585 | 10 |
| 1410 | Prepayments | | 370,475 | - | 662,456 | 1 |
| 1470 | Other current assets | 6(1) and 8 | 1,908,018 | 2 | 893,636 | 1 |
| 11XX | Total current assets | | 45,792,352 | 43 | 43,946,576 | 44 |
| Total non-current assets | | | | | | |
| 1510 | Financial assets at fair value through profit or loss - non - current | 6(2) | 3,460,272 | 3 | 2,291,217 | 2 |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(3) and 8 | 18,567,933 | 18 | 14,473,017 | 15 |
| 1535 | Non-current financial assets at amortised cost, net | 6(4) and 8 | 481,530 | 1 | 377,256 | 1 |
| 1550 | Investments accounted for under the equity method | 6(7) | 3,912,645 | 4 | 3,897,316 | 4 |
| 1600 | Property, plant and equipment, net | 6(8) and 8 | 15,912,788 | 15 | 16,742,830 | 17 |
| 1755 | Right-of-use assets | 6(9) and 8 | 6,752,232 | 6 | 7,119,164 | 7 |
| 1760 | Investment property, net | 6(10) | 2,850,964 | 3 | 2,762,570 | 3 |
| 1780 | Intangible assets | 6(11) | 5,269,715 | 5 | 5,200,634 | 5 |
| 1840 | Deferred income tax assets | 6(30) | 1,365,301 | 1 | 1,346,817 | 1 |
| 1900 | Other non-current assets | 6(12) and 8 | 1,313,339 | 1 | 937,007 | 1 |
| 15XX | Non-current assets | | 59,886,719 | 57 | 55,147,828 | 56 |
| 1XXX | Total assets | | \$ 105,679,071 | 100 | \$ 99,094,404 | 100 |

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TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

| | Liabilities and Equity | Notes | December 31, 2020 | | December 31, 2019 | |
|------|--|-----------------|-----------------------|------------|----------------------|------------|
| | | | AMOUNT | % | AMOUNT | % |
| | Current liabilities | | | | | |
| 2100 | Short-term borrowings | 6(14) and 8 | \$ 2,816,832 | 3 | \$ 1,857,637 | 2 |
| 2120 | Financial liabilities at fair value through profit or loss - current | 6(15) | - | - | 50 | - |
| 2130 | Current contract liabilities | 6(24) | 1,493,931 | 1 | 1,001,440 | 1 |
| 2150 | Notes payable | | 340,672 | - | 284,661 | - |
| 2160 | Notes payable - related parties | 7 | 55,048 | - | 81,176 | - |
| 2170 | Accounts payable | | 7,509,868 | 7 | 6,783,872 | 7 |
| 2180 | Accounts payable - related parties | 7 | 113,055 | - | 128,569 | - |
| 2200 | Other payables | 6(16) | 4,902,975 | 5 | 4,676,588 | 5 |
| 2230 | Current income tax liabilities | 6(30) | 490,113 | 1 | 584,071 | 1 |
| 2250 | Provisions for liabilities - current | | 406,874 | - | 273,575 | - |
| 2280 | Current lease liabilities | | 462,876 | 1 | 475,786 | 1 |
| 2320 | Long-term liabilities, current portion | 6(17)(18) and 8 | 302,331 | - | 3,410,798 | 3 |
| 2399 | Other current liabilities, others | | 724,393 | 1 | 735,603 | 1 |
| 21XX | Total current liabilities | | <u>19,618,968</u> | <u>19</u> | <u>20,293,826</u> | <u>21</u> |
| | Non-current liabilities | | | | | |
| 2530 | Corporate bonds payable | 6(17) | 6,000,000 | 6 | 1,000,000 | 1 |
| 2540 | Long-term borrowings | 6(18) and 8 | 3,309,400 | 3 | 6,673,954 | 7 |
| 2550 | Provisions for liabilities - non-current | | 132,414 | - | 125,014 | - |
| 2570 | Deferred income tax liabilities | 6(30) | 2,539,962 | 2 | 2,400,752 | 2 |
| 2580 | Non-current lease liabilities | | 4,423,897 | 4 | 4,743,306 | 5 |
| 2600 | Other non-current liabilities | 6(7)(19) | 2,029,198 | - | 2,152,762 | 2 |
| 25XX | Total non-current liabilities | | <u>18,434,871</u> | <u>15</u> | <u>17,095,788</u> | <u>17</u> |
| 2XXX | Total liabilities | | <u>38,053,839</u> | <u>34</u> | <u>37,389,614</u> | <u>38</u> |
| | Equity attributable to owners of parent | | | | | |
| | Share capital | 6(20) | | | | |
| 3110 | Common stock | | 19,676,929 | 19 | 19,676,929 | 20 |
| | Capital surplus | 6(21) | | | | |
| 3200 | Capital surplus | | 7,386,901 | 9 | 7,389,577 | 7 |
| | Retained earnings | 6(22) | | | | |
| 3310 | Legal reserve | | 7,024,635 | 8 | 6,702,463 | 7 |
| 3320 | Special reserve | | 3,640,779 | 3 | 3,640,779 | 4 |
| 3350 | Unappropriated retained earnings | | 17,271,503 | 15 | 16,047,563 | 16 |
| | Other equity interest | 6(23) | | | | |
| 3400 | Other equity interest | | 7,339,258 | 7 | 3,570,756 | 3 |
| 3500 | Treasury stocks | 6(20) and 8 | (511,710) | - | (321,563) | - |
| 31XX | Equity attributable to owners of the parent | | <u>61,828,295</u> | <u>61</u> | <u>56,706,504</u> | <u>57</u> |
| 36XX | Non-controlling interest | 6(34) | <u>5,796,937</u> | <u>5</u> | <u>4,998,286</u> | <u>5</u> |
| 3XXX | Total equity | | <u>67,625,232</u> | <u>66</u> | <u>61,704,790</u> | <u>62</u> |
| | Significant contingent liabilities and unrecognized contract commitments | 9 | | | | |
| | Significant events after the balance sheet date | 11 | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 105,679,071</u> | <u>100</u> | <u>\$ 99,094,404</u> | <u>100</u> |

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share)

| Items | Notes | Year ended December 31 | | | |
|---|---------------------------|------------------------|-------|---------------|-------|
| | | 2020 | | 2019 | |
| | | AMOUNT | % | AMOUNT | % |
| 4000 Sales revenue | 6(2)(9)(10)(24) and 7 | \$ 45,823,430 | 100 | \$ 47,909,358 | 100 |
| 5000 Operating costs | 6(6)(8)(9)(19)(29) and 7 | (35,066,082) | (76) | (36,428,606) | (76) |
| 5900 Net operating margin | | 10,757,348 | 24 | 11,480,752 | 24 |
| 5910 Unrealized loss from sales | | (9,518) | - | (8,263) | - |
| 5920 Realized profit from sales | | 8,263 | - | 9,160 | - |
| 5950 Net operating margin | | 10,756,093 | 24 | 11,481,649 | 24 |
| Operating expenses | 6(8)(9)(19)(29) | | | | |
| 6100 Selling expenses | | (3,895,315) | (9) | (4,226,261) | (9) |
| 6200 General and administrative expenses | | (2,258,377) | (5) | (2,521,713) | (5) |
| 6300 Research and development expenses | | (1,027,177) | (2) | (1,179,300) | (2) |
| 6450 Expected credit impairment losses | 12(2) | (41,167) | - | (17,930) | - |
| 6000 Total operating expenses | | (7,222,036) | (16) | (7,945,204) | (16) |
| 6900 Operating profit | | 3,534,057 | 8 | 3,536,445 | 8 |
| Non-operating income and expenses | | | | | |
| 7100 Interest income | 6(4)(25) | 194,926 | - | 316,546 | 1 |
| 7010 Other income | 6(3)(10)(26) and 7 | 1,057,043 | 2 | 1,081,471 | 2 |
| 7020 Other gains and losses | 6(2)(9)(13)(15)(27) and 7 | (130,170) | - | (261,570) | - |
| 7050 Finance costs | 6(9)(28) | (241,495) | - | (263,848) | (1) |
| 7060 Share of profit of associates and joint ventures accounted for under the equity method | 6(7) | (14,613) | - | 30,410 | - |
| 7000 Total non-operating income and expenses | | 865,691 | 2 | 903,009 | 2 |
| 7900 Profit before income tax | | 4,399,748 | 10 | 4,439,454 | 10 |
| 7950 Income tax expense | 6(30) | (588,100) | (1) | (920,674) | (2) |
| 8200 Profit for the year | | \$ 3,811,648 | 9 | \$ 3,518,780 | 8 |

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TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share)

| Items | Notes | Year ended December 31 | | | |
|---|-------|------------------------|-----------|---------------------|-----------|
| | | 2020 | | 2019 | |
| | | AMOUNT | % | AMOUNT | % |
| Other comprehensive income | | | | | |
| Other comprehensive income that will not be reclassified to profit or loss | | | | | |
| 8311 Other comprehensive loss, before tax, actuarial losses on defined benefit plans | 6(19) | (\$ 12,954) | - | (\$ 82,287) | - |
| 8316 Unrealized gains and losses on valuation of investments measured at fair value through other comprehensive income | 6(3) | 4,160,554 | 9 | 3,371,209 | 7 |
| 8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | | (4,075) | - | 17,170 | - |
| 8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(30) | 247 | - | 95 | - |
| 8310 Components of other comprehensive income that will not be reclassified to profit or loss | | 4,143,772 | 9 | 3,306,187 | 7 |
| Other comprehensive income that will be reclassified to profit or loss | | | | | |
| 8361 Currency translation differences of foreign operations | 6(23) | (422,317) | (1) | (811,051) | (2) |
| 8399 Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss | 6(30) | 70,484 | - | 25,774 | - |
| 8360 Components of other comprehensive loss that will be reclassified to profit or loss | | (351,833) | (1) | (785,277) | (2) |
| 8300 Other comprehensive income for the year | | <u>\$ 3,791,939</u> | <u>8</u> | <u>\$ 2,520,910</u> | <u>5</u> |
| 8500 Total comprehensive income for the year | | <u>\$ 7,603,587</u> | <u>17</u> | <u>\$ 6,039,690</u> | <u>13</u> |
| Profit attributable to: | | | | | |
| 8610 Owners of the parent | | \$ 3,511,358 | 8 | \$ 3,221,717 | 8 |
| 8620 Non-controlling interest | | 300,290 | 1 | 297,063 | - |
| | | <u>\$ 3,811,648</u> | <u>9</u> | <u>\$ 3,518,780</u> | <u>8</u> |
| Comprehensive income attributable to: | | | | | |
| 8710 Owners of the parent | | \$ 7,262,630 | 16 | \$ 5,675,634 | 12 |
| 8720 Non-controlling interest | | 340,957 | 1 | 364,056 | 1 |
| | | <u>\$ 7,603,587</u> | <u>17</u> | <u>\$ 6,039,690</u> | <u>13</u> |
| Earnings per share (in dollars) | 6(31) | | | | |
| 9750 Basic earnings per share | | <u>\$ 1.81</u> | | <u>\$ 1.65</u> | |
| 9850 Diluted earnings per share | | <u>\$ 1.81</u> | | <u>\$ 1.65</u> | |

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

| Equity attributable to owners of the parent | | | | | | | | | | | |
|---|--|-------------------|--|----|--|-----------------------|--|--|--|--|--|
| | | Retained earnings | | | | Other equity interest | | | | | |
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The accompanying notes are an integral part of these consolidated financial statements.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

| | Notes | 2020 | 2019 |
|---|-----------------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | \$ 4,399,748 | \$ 4,439,454 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Net gain on financial assets at fair value through profit or loss | 6(2)(24)(27) | (893,503) | (216,570) |
| Net (gain) loss on financial liabilities at fair value through profit or loss | 6(15)(27) | (50) | 279 |
| Inventory valuation loss | 6(6) | 188,159 | 105,770 |
| Expected credit impairment loss | 12(2) | 41,167 | 17,930 |
| Interest income | 6(25) | (194,925) | (316,546) |
| Dividend income | 6(26) | (615,445) | (616,897) |
| Interest expense | 6(28) | 241,495 | 263,848 |
| Depreciation and amortization | 6(8)(9)(10)(29) | 2,005,511 | 1,939,799 |
| Gain on disposal of investments | 6(27) | (123) | (34,063) |
| Loss on disposal of property, plant and equipment | 6(27) | 38,447 | 22,635 |
| Impairment loss | 6(13) | 77,950 | 20,625 |
| Share of profit (loss) of associates and joint ventures accounted for under the equity method | 6(7) | 14,613 | (30,410) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Financial assets at fair value through profit or loss - current | | 33,706 | 66,721 |
| Contract assets - current | | 68,878 | (170,842) |
| Notes receivable | (| (53,769) | (54,315) |
| Notes receivable - related parties | (| (10,807) | (1,184) |
| Accounts receivable | (| (100,191) | (483,658) |
| Accounts receivable - related parties | (| (3,646) | (8,979) |
| Other receivables | | 215,967 | (137,271) |
| Other receivables - related parties | | 8,909 | (10,390) |
| Inventories | | 38,178 | 1,428,558 |
| Prepayments | | 291,981 | (232,705) |
| Other current assets | (| (968,564) | (111,502) |
| Financial assets at fair value through profit or loss - non-current | (| (296,498) | (65,845) |
| Changes in operating liabilities | | | |
| Contract liabilities - current | | 492,491 | 101,712 |
| Notes payable | | 56,011 | 211,556 |
| Notes payable - related parties | (| (26,128) | (55,698) |
| Accounts payable | | 725,996 | (705,821) |
| Accounts payable - related parties | (| (15,514) | (38,522) |
| Other payables | | 104,671 | 109,307 |
| Provisions for liabilities | | 140,699 | 15,388 |
| Other current liabilities | (| (11,210) | (108,809) |
| Other non-current liabilities | (| (147,855) | (105,252) |
| Cash inflow generated from operations | | 5,846,349 | 6,657,683 |
| Interest received | 6(25) | 194,925 | 316,546 |
| Dividend received from investments accounted for under equity method | | 93,805 | 144,756 |
| Interest paid | (| (157,633) | (172,139) |
| Income tax paid | (| (490,601) | (952,459) |
| Net cash flows from operating activities | | <u>5,486,845</u> | <u>5,994,387</u> |

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

| | Notes | 2020 | 2019 |
|---|------------|----------------------|----------------------|
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Increase in current financial assets at fair value through other comprehensive income | | (\$ 76,684) | (\$ 183,766) |
| Increase in financial assets at fair value through other comprehensive income - non - current | | (20,800) | (63,852) |
| Proceeds from disposal of non-current financial assets at fair value through other comprehensive income | | 14,400 | 451,556 |
| Increase in non-current financial assets at amortized cost | 6(4) | (104,274) | (194,531) |
| Increase in pledged and restricted bank and time deposits | 6(1) and 8 | (45,818) | (30,117) |
| Increase in investments accounted for under the equity method | | (26,449) | (35,054) |
| Proceeds from disposal of investments accounted for under the equity method | | 558 | 93,349 |
| Acquisition of property, plant and equipment | 6(8)(32) | (667,913) | (1,032,766) |
| Proceeds from disposal of property, plant and equipment | | 40,348 | 72,550 |
| Acquisition of intangible assets | | (74,978) | (70,840) |
| Increase in bank deposit under the regulation governing the management, utilization, and taxation of repatriated offshore funds | 6(12) | (169,411) | - |
| Increase in other non-current assets | | (206,921) | (88,908) |
| Net cash outflow on acquisitions of subsidiaries | 6(32) | - | 9,940 |
| Dividends received | | 615,170 | 616,897 |
| Net cash flows used in investing activities | | (722,772) | (455,542) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Increase (decrease) in short-term loans | 6(33) | 959,195 | (136,723) |
| Proceeds from issuance of bonds | 6(33) | 5,000,000 | - |
| Repayment of bonds | 6(33) | (3,000,000) | - |
| Decrease in long-term loans | 6(33) | (3,473,021) | (566,094) |
| Lease liabilities paid | 6(9)(33) | (523,774) | (553,993) |
| Treasury shares purchased | 6(20) | - | (675,840) |
| Acquisition of the Company's share by subsidiaries recognized as treasury shares | 6(20) | (190,147) | - |
| Cash dividends paid to non-controlling interests | | (200,997) | (155,871) |
| Proceeds from capital increase of non-controlling interests | 6(34) | 700,000 | 226,786 |
| Cash dividends paid | 6(22) | (1,918,798) | (1,770,924) |
| Net cash flows used in financing activities | | (2,647,542) | (3,632,659) |
| Exchange rate effect | | (830,642) | (330,381) |
| Net increase in cash and cash equivalents | | 1,285,889 | 1,575,805 |
| Cash and cash equivalents at beginning of year | | 19,111,371 | 17,535,566 |
| Cash and cash equivalents at end of year | | <u>\$ 20,397,260</u> | <u>\$ 19,111,371</u> |

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

Teco Electric & Machinery Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture, installation, wholesale, retail of various types of electronic equipment, telecommunication equipment, office equipment, and home appliances.

2. The Date of Authorization for Issuance of the Financial Statements and Procedures for Authorization

These consolidated financial statements were authorized for issuance by the Board of Directors on March 23, 2021.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|--|
| Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’ | January 1, 2020 |
| Amendments to IFRS 3, ‘Definition of a business’ | January 1, 2020 |
| Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’ | January 1, 2020 |
| Amendments to IFRS 16, ‘Covid-19-related rent concessions’ | June 1, 2020 (Note) |
| Note : Earlier application from January 1, 2020 is allowed by FSC. | |

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|--|
| Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’ | January 1, 2021 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’ | January 2, 2021 |

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|--|
| Amendments to IFRS 3, 'Reference to the conceptual framework' | January 1, 2022 |
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by International Accounting Standards Board |
| IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2023 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2023 |
| Amendments to IAS 1, 'Disclosure of accounting policies' | January 1, 2023 |
| Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use' | January 1, 2022 |
| Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract' | January 1, 2022 |
| Annual improvements to IFRSs 2018-2020 cycle | January 1, 2022 |

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- Financial assets at fair value through other comprehensive income.
- Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss or transferred directly to retained earnings as appropriate, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|-------------------------------------|---|--|-------------------|-------------------|-------------|
| | | | December 31, 2020 | December 31, 2019 | |
| Teco Electric & Machinery Co., Ltd. | Teco Holding USA Inc. | Holding company | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | United View Global Investment Co., Ltd. | Holding company | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Temico International Pte.Ltd. | Holding company | 60 | 60 | |
| Teco Electric & Machinery Co., Ltd. | Tesen Electric & Machinery Co., Ltd. | Manufacturing and sales of home appliances | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Tong-An Assets Management & Development Co., Ltd. | Real estate business | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Teco Electric Europe Limited | Distribution of motors | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Teco Electric & Machinery (Pte) Ltd. | Distribution of motors | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Tong Dai Co., Ltd. | Distribution of motors | 83.53 | 83.53 | Note 1 |
| Teco Electric & Machinery Co., Ltd. | Tong Tai Jung Co., Ltd. | Expanding the distribution of motors | - | - | Note 1 |
| Teco Electric & Machinery Co., Ltd. | Teco Electro Devices Co., Ltd. | Manufacturing and sales of step-servo motor | 64.08 | 64.08 | |
| Teco Electric & Machinery Co., Ltd. | Yatec Engineering Corporation | Development and maintenance of various electric appliances | 64.95 | 64.95 | |
| Yatec Engineering Corporation | Yatec Engineering (VN) Company Limited | Development of various electric appliances | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Taian (Subic) Electric Co., Inc. | Manufacturing and sales of switches | 76.7 | 76.7 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|-------------------------------------|---|---|-------------------|-------------------|-------------|
| | | | December 31, 2020 | December 31, 2019 | |
| Teco Electric & Machinery Co., Ltd. | Taian-Etacom Technology Co., Ltd. | Manufacturing of busway and related components | 84.73 | 84.73 | |
| Teco Electric & Machinery Co., Ltd. | Taian (Malaysia) Electric Sdn. Bhd. | Manufacturing of switches | 66.85 | 66.85 | |
| Teco Electric & Machinery Co., Ltd. | Micropac Worldwide (BVI) | International trading | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | E-Joy International Co., Ltd. | Wholesale and retail of electric appliances | 98.53 | 98.53 | |
| Teco Electric & Machinery Co., Ltd. | A-Ok Technical Co., Ltd. | Repair of electric appliances | 86.67 | 86.67 | |
| Teco Electric & Machinery Co., Ltd. | Tecom Co., Ltd. | Manufacturing and sales of touch-tone phone system and billing box | 63.52 | 63.52 | |
| Teco Electric & Machinery Co., Ltd. | Information Technology Total Services Co., Ltd. | Import sales, leases of franking machines and mail processing and delivery | 49.01 | 49.01 | Note 4 |
| Teco Electric & Machinery Co., Ltd. | Teco Smart Technologies Co., Ltd. | Commissioned sales of phone cards and IC cards, and production of data storage and processing equipment | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Teco International Investment Co., Ltd. | Various productions, investments in securities and construction of commercial buildings | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Tong-An Investment Co., Ltd. | Various investments | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Tecnos International Consultant Co., Ltd. | Business management consulting | 73.54 | 73.54 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|-------------------------------------|---|--|-------------------|-------------------|-------------|
| | | | December 31, 2020 | December 31, 2019 | |
| Teco Electric & Machinery Co., Ltd. | An-Tai International Investment Co., Ltd. | Various investments | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Taiwan Pelican Express Co., Ltd. | Delivery and logistics services | 32.15 | 32.15 | Note 2 |
| Teco Electric & Machinery Co., Ltd. | Teco Technology (Vietnam) Co., Ltd. | Manufacturing and sales of motors | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Teco Nanotech Co., Ltd. | Manufacturing and sales of nanotech material products | - | - | Note 3 |
| Teco Electric & Machinery Co., Ltd. | Eagle Holding Co. | Holding company | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Century Development Corporation | Real estate and industrial park management and development | 52.75 | 52.75 | |
| Teco Electric & Machinery Co., Ltd. | Teco.Sun Energy Co., Ltd. | Energy technical services | 60 | 60 | |
| Century Development Corporation | Century Tech. C&M Corp. | Construction industry as well as trades and related operation and investment of materials and sandstone used in construction and machinery | 100 | 100 | |
| Century Development Corporation | United Development Corporation | Investment consultancy service for domestic and foreign industrial parks and land | 100 | 100 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|--|---|---|-------------------|-------------------|-------------|
| | | | December 31, 2020 | December 31, 2019 | |
| Century Development Corporation | Century Biotech Development Corp. | Investment consultancy service for domestic industrial parks and land | 72 | 100 | Note 9 |
| Century Development Corporation | Century Real Estate (International) Pet. Ltd. | Investments in other areas | 100 | 100 | |
| Century Real Estate (International) Pte Ltd. | CDC Development India Private Limited | Investment consultancy service for domestic and foreign industrial parks and land | 100 | 100 | |
| Eagle Holding Co. | TECO MOTOR B.V. | Holding company | 100 | 100 | |
| TECO MOTOR B.V. | Motovario S.p.A. | Sales of motors and reducers | 100 | 100 | |
| Motovario S.p.A. | Motovario S.A (Spain) | Sales of motors and reducers | 100 | 100 | |
| Motovario S.p.A. | Motovario Ltd. | Sales of motors and reducers | 100 | 100 | |
| Motovario S.p.A. | Motovario GMBH | Sales of motors and reducers | 100 | 100 | |
| Motovario S.p.A. | Motovario Corp. | Sales of motors and reducers | 75 | 75 | |
| Motovario S.p.A. | Motovario S.A (France) | Sales of motors and reducers | 100 | 100 | |
| Motovario S.p.A. | Motovario Int. Trading Co. Ltd. | Sales of motors and reducers | 100 | 100 | |
| Motovario S.p.A. | Motovario Power Transmission Co. Ltd. | Sales of motors and reducers | - | 100 | Note 5 |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---|---|---|-------------------|-------------------|-------------|
| | | | December 31, 2020 | December 31, 2019 | |
| Motovario S.p.A. | Motovario Gear Solution Private Ltd. | Sales of motors and reducers | 100 | 100 | |
| Teco Holding USA Inc. | Teco Westinghouse Motor Company | Manufacturing and sales of motors and generators | 100 | 100 | |
| Teco Holding USA Inc. | Teco Westinghouse Motor Industrial Canada | Manufacturing and sales of motors and generators | 100 | 100 | |
| Temico International Pte. Ltd. | Temico India Private Limited | Sales of motors | 100 | 100 | |
| Temico International Pte. Ltd. | Temico Motor India Private Limited | Sales of motors | 100 | - | Note 8 |
| United View Global Investment Co., Ltd. | Great Teco Motor (Pte) Ltd. | Holding company | 100 | 100 | |
| United View Global Investment Co., Ltd. | Asia Air Tech Industrial (Pte) Ltd. | Holding company | 100 | 100 | |
| United View Global Investment Co., Ltd. | Teco Australia Pty. Ltd. | Manufacturing and sales of motors and home appliances | 99.99 | 99.99 | |
| United View Global Investment Co., Ltd. | P.T Teco Elektro Indonesia | Manufacturing and sales of motors and home appliances | 100 | 100 | |
| United View Global Investment Co., Ltd. | Teco Industrial (Malaysia) Sdn. Bhd. | Manufacturing and sales of motors | 100 | 100 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---|--|--|-------------------|-------------------|-------------|
| | | | December 31, 2020 | December 31, 2019 | |
| United View Global Investment Co., Ltd. | Tecoson Industrial Development (Pte) Ltd. | Investment in Southeast Asia and Hong Kong | - | - | Note 10 |
| United View Global Investment Co., Ltd. | Asia Electric & Machinery (Pte) Ltd. | Holding company | 100 | 100 | |
| United View Global Investment Co., Ltd. | Great Teco, S.L. | Sales of motors | - | 100 | Note 5 |
| United View Global Investment Co., Ltd. | Teco Electric & Machinery B.V. | Sales of motors, green power and electric control products | 100 | 100 | |
| United View Global Investment Co., Ltd. | Teco Elektrik Turkey A. S. | Sales of motors and home appliances | 100 | 100 | |
| Teco Industrial (Malaysia) Sdn. Bhd. | Teco (Vietnam) Electric & Machinery Company Ltd. | Manufacturing of motors | 80 | 80 | |
| Teco Industrial (Malaysia) Sdn. Bhd. | TYM Electric and Machinery Sdn. Bhd. | Distribution of motors | 100 | 100 | Note 12 |
| Teco Electric & Machinery (Pte) Ltd. | P.T Teco Multiguna Electro | Sales of motors in Singapore and neighbouring countries | 87.5 | 87.5 | |
| Teco Electric & Machinery (Pte) Ltd. | Teco (Thai) Co. | Sales of motors in Singapore and neighbouring countries | 55 | 55 | |
| Teco Electric & Machinery (Pte) Ltd. | Teco Electric & Machinery Sdn. Bhd. | Sales of motors in Singapore and neighbouring countries | 100 | 100 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---|---|---|-------------------|-------------------|-------------|
| | | | December 31, 2020 | December 31, 2019 | |
| Teco Electric & Machinery (Pte.) Ltd. | Teco Industrial System Private Limited | Sales of motors in India and neighbouring countries | 100 | 100 | |
| Teco Electric & Machinery (Pte.) Ltd. | Teco Electrical Industries Private Limited | Manufacturing of motors | 100 | 100 | |
| Tong Dai Co., Ltd. | Top-Tower Enterprises Co., Ltd. | Sales of motors | 40 | 40 | Note 4 |
| Tong Dai Co., Ltd. | AM SMART Technology CO.,LTD. | Sales of motors | 80 | 80 | |
| Teco Electro Devices Co., Ltd. | Teco Electro Devices Co., Ltd. | Trading and various investments | 100 | 100 | |
| Micropac Worldwide (BVI) | An-Tai International Investment (Singapore) Co., Ltd. | Investment holdings | 100 | 100 | |
| Teco International Investment Co., Ltd. | Tasia (Pte) Ltd. | Various investments | 100 | 100 | |
| Tong-An Investment Co., Ltd. | Jie-Zheng Property Service & Management Co., Ltd. | Building management servicing | 100 | 100 | |
| Tong-An Investment Co., Ltd. | Tecocapital Investment (Samoa) Co., Ltd. | Holding company | 100 | 100 | |
| Tong-An Investment Co., Ltd. | Tecocapital Investment Co., Ltd. | Holding company | 100 | 100 | |
| Taiwan Pelican Express Co., Ltd. | Pelecanus Express Pte. Ltd. | Holding company of overseas companies | 100 | 100 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---------------------------------|---|--|-------------------|-------------------|-------------|
| | | | December 31, 2020 | December 31, 2019 | |
| Teco Westinghouse Motor Company | Teco Westinghouse Motor Company S. A. de C.V. | Manufacturing and sales of motors and generators | 100 | 100 | |
| Tecom Co., Ltd. | Tecom International Investment Co., Ltd. | Investments in various undertakings | - | 100 | Note 13 |
| Tecom Co., Ltd. | Baycom Opto-Electronics Technology Co., Ltd. | Manufacture of fiber optic communications products, providing a full range of fiber optical cables, interconnect, Transceiver/Media converter, patch cord, LC connectors & adapter | 51.19 | 51.19 | Note 6 |
| Tecom Co., Ltd. | Tecom Global Tech Investment (B.V.I.) Limited | Investments in various undertakings | 100 | 100 | |
| Tecom Co., Ltd. | Tecom Global Tech Investment Pte Limited | Investments in various undertakings | 100 | 100 | |
| Tecom Co., Ltd. | Tecom Tech Investment (B.V.I.) Limited | Investments in various undertakings | - | 100 | Note 5 |
| Great Teco Motor (Pte) Ltd. | Wuxi Teco Electric & Machinery Co., Ltd. | Manufacturing and sales of motors and generators | 82.35 | 82.35 | |
| Great Teco Motor (Pte) Ltd. | Jiangxi Teco Electric & Machinery Co., Ltd. | Coil-wound motors and hydroelectric power | 98.07 | 98.07 | |
| Great Teco Motor (Pte) Ltd. | Qingdao Teco Precision Mechatronics Co., Ltd. | Manufacturing and sales of motors | 87.60 | 87.60 | |
| Great Teco Motor (Pte) Ltd. | Fujian Teco Precision Co., Ltd. | Manufacturing and sales of electric components | 100 | 100 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---|--|--|-------------------|-------------------|-------------|
| | | | December 31, 2020 | December 31, 2019 | |
| Great Teco Motor (Pte) Ltd. | Shanghai Teco Electric & Machinery Co., Ltd. | Agents and sales of motors and electrical appliances | 100 | 100 | |
| Great Teco Motor (Pte) Ltd. | Wuxi Teco Precision Industry Co., Ltd. | Manufacturing and sales of motors and components | 100 | 100 | |
| Asia Air Tech Industrial (Pte) Ltd. | Teco (Dong Guang) Air Conditioning Equipment Co., Ltd. | Manufacturing and sales of air-conditioning mechanical equipment | 100 | 100 | |
| Teco Australia Pty. Ltd. | Teco (New Zealand) Limited | Manufacturing and sales of motors and home appliances | 100 | 100 | |
| Teco Australia Pty. Ltd. | Ejoy Australia Holdings Pty. Ltd. | Various investments | 100 | 100 | |
| Ejoy Australia Holdings Pty. Ltd. | Ejoy Australia Pty. Ltd. | Sales of home appliances | 60 | 60 | |
| Teco Australia Pty. Ltd. | Motovario Australia Pty. Ltd. | Various investments | 100 | 100 | |
| Motovario Australia Pty. Ltd. | F C R Motion Technology Pty. Ltd. | Sales of motors and electrical appliances | 100 | 100 | |
| Teco Australia Pty. Ltd. | Teco Electric Motors Africa Pty. Ltd. | Agents and sales of motors and electrical appliances | 100 | 100 | |
| Tecoson Industrial Development (Pte) Ltd. | Tecoson HK Co., Ltd. | Various investments | - | - | Note 11 |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---|---|---|-------------------|-------------------|-------------|
| | | | December 31, 2020 | December 31, 2019 | |
| Asia Electric & Machinery (Pte) Ltd. | Nanchang Teco Electric & Machinery Co., Ltd. | Manufacturing and sales of air-conditioning equipment | 100 | 100 | |
| Asia Electric & Machinery (Pte) Ltd. | Xiamen Teco Technology Co., Ltd. | Distribution and research of motors and home appliances | - | - | Note 3 |
| Asia Electric & Machinery (Pte) Ltd. | Asia Innovative Technology Co., Ltd. | Research, development, manufacturing and sales of home appliances | 100 | 100 | |
| Asia Electric & Machinery (Pte) Ltd. | Tianjin Teco Technology Co., Ltd. | Operations center in Central China | - | - | Note 3 |
| Asia Electric & Machinery (Pte) Ltd. | Jiangxi TECO Air Conditioning Equipment Co., Ltd. | Manufacturing and sales of various air-conditioning units | 100 | 100 | |
| Asia Electric & Machinery B.V. Ltd. | Teco Electric & Machinery GmbH. | Manufacturing and sales of motors | 100 | 100 | |
| Teco Electro Devices Co., Ltd. | Wuxi TECO Electro Devices Co., Ltd. | Manufacturing and sales of motors | 100 | 100 | |
| Teco Westinghouse Motor Company | Jiangxi TECO Westinghouse Motor Coil Co., Ltd. | Manufacturing and sales of motors, winding and related parts | 100 | 100 | |
| An-Tai International Investment (Singapore) Co., Ltd. | Tai-An Technology (Wuxi) Co., Ltd. | Manufacturing and sales of fiber electric equipment | 100 | 100 | |
| An-Tai International Investment (Singapore) Co., Ltd. | Hunan TECO Wind Energy Limited | Manufacturing, sales and technical services of 2.0 megawatt and above aerogenerator, wheel bay and other components | - | 100 | Note 5 |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---|---|--|-------------------|-------------------|-------------|
| | | | December 31, 2020 | December 31, 2019 | |
| Tecom International Investment Co., Ltd. | WondaLink Inc. | Wired communication equipment and apparatus, manufacturing of telecommunication equipment and apparatus, manufacturing of electronic parts and design of products | - | - | Note 7 |
| Tecom Global Tech Investment (B.V.I.) Limited | Wuhan Tecom Co., Ltd. | Communication network information technology development, sales and technology services business | 100 | 100 | |
| Tecom Global Tech Investment Pte Limited | Tecom Tech (Wuxi) Co., Ltd. | R & D, manufacture of broadband access network communication system equipment, asynchronous transfer mode, IP data communication systems, mobile communication handsets, base stations, switching equipment and digital trunking system equipment, high-end routers, Gigabit switch than the above network, program-controlled switchboards; sale of products to provide technology services | 100 | 100 | |
| Tecom Investment (B.V.I.) Limited | Beijing Tecom Innovation Technology Co., Ltd. | Wireless network communication system hardware and software, provide technical advice, technical training and technical services | - | - | Note 3 |
| Tasia (Pte) Ltd. | Sankyo Co., Ltd. | Sales of home appliances | 100 | 100 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---|--|--|-------------------|-------------------|-------------|
| | | | December 31, 2020 | December 31, 2019 | |
| Tecocapital Investment (Samoa) Co., Ltd. | Qingdao TECO Innovation Co., Ltd. | Science Park development and business operations consulting services | 100 | 100 | |
| Tecocapital Investment Co., Ltd. | Technical Information International Co., Ltd. | Development and sales of software | 70 | 70 | |
| Pelecanus Express Pte. Ltd. | Beijing Pelican Express Co., Ltd. | Storage services | 100 | 100 | |
| Pelecanus Express Pte. Ltd. | Pelican Express (Vietnam) Co., Ltd. | Storage services | 100 | - | Note 8 |
| Teco Westinghouse Motor Company S.A. de C.V. | Teco Westinghouse Colombia S.A.S. | Manufacturing and sales of motors and generators | 100 | 100 | |
| Tai-An Technology (Wuxi) Co., Ltd. | Teco Sichuan Trading Co., Ltd. | Distribution of motors and home appliances | - | - | Note 3 |
| Information Technology Total Services Co., Ltd. | Information Technology Total Service (BVI) Co., Ltd. | Holding company | 100 | 100 | |
| Information Technology Total Services Co., Ltd. | Universal Mail Service Ltd. | Engaged in various business documents management, printing and other mail services | 100 | 100 | |
| Information Technology Total Services Co., Ltd. | Unison Service Corporation | Engaged in services related to information software, data processing and electronic information supply | 100 | 100 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|--|--|--|-------------------|-------------------|-------------|
| | | | December 31, 2020 | December 31, 2019 | |
| Information Technology Total Service (BVI) Co., Ltd. | Information Technology Total Service (Hang Zhou) Co., Ltd. | Engaged in services related to information software, data processing and electronic information supply | - | - | Note 3 |
| Information Technology Total Service (BVI) Co., Ltd. | Information Technology (Wuxi) Co., Ltd. | Engaged in services related to information software, data processing and electronic information supply | 100 | 100 | |
| Information Technology (Wuxi) Co., Ltd. | Information Technology Total Service (Xiamen) Co, Ltd. | Engaged in services related to information software, data processing and electronic information supply | 100 | 100 | |

Note 1: Tong Dai Co., Ltd. acquired Tong Tai Jung Co., Ltd. with newly issued shares through a share swap for the year ended December 31, 2019 and the effective date of the merger was set on December 31, 2019. Tong Tai Jung Co., Ltd. was the dissolved company and the Group held 83.53% equity interest in the surviving company after the merger.

Note 2: The Company sold part of its ownership in Taiwan Pelican Express Co., Ltd. in August, 2012, and accordingly, its ownership fell below 50% of the voting shares of Taiwan Pelican Express Co., Ltd.. However, the Company still has control over the finance, operations and personnel affairs of Taiwan Pelican Express Co., Ltd., thus Taiwan Pelican Express Co., Ltd. continues to be included in the consolidated financial statements.

Note 3: This company was liquidated in 2019.

Note 4: The Company has control over the Board of Directors of the subsidiary, and has absolute control over the subsidiary. Thus, the subsidiary was included in the consolidated financial statements.

Note 5: For the year ended December 31, 2020, the liquidation of the company was completed.

Note 6: The non-material subsidiary - Baycom Opto-Electronics Technology Co., Ltd. ceased to be publicly traded as resolved by the shareholders on June 12, 2019, and it was approved by the Financial Supervisory Commission on June 24, 2019.

Note 7: Tecom International Investment Co., Ltd. disposed its subsidiary - WondaLink Inc. in November 2019.

Note 8: Newly established subsidiary this year.

Note 9: Century Biotech Development Corp. increased its cash capital in March 2020. The Group did not acquire shares proportionally to its interest, and therefore, its ownership interest decreased.

Note 10: The Group sold 100% of share in this company on July 25, 2019. Therefore, the company is no longer included in the Group's consolidated financial statements.

Note 11: The Group sold 100% of shares in the parent company on July 25, 2019, and the Group lost control over the company at the same time.

Note 12: Teco Industrial (Malaysia) Sdn. Bhd. issued and granted new shares to Teco Electric & Machinery (Pte) Ltd. in order to exchange the shares of TYE Electric & Machinery Sdn. Bhd. held by Teco Electric & Machinery (Pte) Ltd. due to group reorganization in the third quarter of 2020. This share exchange has no significant effect to the Group.

Note 13: For the year ended December 31, 2020, the company was dissolved after short-form merger with Tecom Co., Ltd.

We did not audit the financial statements of certain consolidated subsidiaries which statements reflect total assets of \$2,342,121 and \$2,568,293 as at December 31, 2020 and 2019, respectively, and net operating revenue of \$2,844,491 and \$2,949,066 for the years ended December 31, 2020 and 2019, respectively.

C. Subsidiaries not included in the consolidated financial statements:

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|-------------------------------------|--|---|-------------------|-------------------|-------------|
| | | | December 31, 2020 | December 31, 2019 | |
| Teco Electric & Machinery Co., Ltd. | Teco Appliance (HK) Co., Ltd. | Sales of home appliances | 99.99 | 99.99 | Note 1 |
| Teco Electric & Machinery Co., Ltd. | Taian Electric Co., Ltd. | Manufacturing and sales of switches | 100 | 100 | Note 1 |
| Teco Electric & Machinery Co., Ltd. | An-Sheng Travel Co., Ltd. | Travel agency services | 89.58 | 89.58 | Note 1 |
| Teco Electric & Machinery Co., Ltd. | Taian-Jaya Electric Sdn. Bhd. | Manufacturing and sales of air-conditioning equipment | 95 | 95 | Note 1 |
| Teco Electric & Machinery Co., Ltd. | Teco (Philippines) 3C & Appliances, Inc. | Sales of air conditioning and electrical appliances | 60 | 60 | Note 1 |
| Teco Electric & Machinery Co., Ltd. | Teco EV Philippines Corporation | Sales of vehicles | 100 | 100 | Note 1 |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---|---|--|-------------------|-------------------|------------------|
| | | | December 31, 2020 | December 31, 2019 | |
| Great Teco Motor (Pte) Ltd. | Teco Group Science-Technology (Hang Zhou) Co., Ltd. | Electrical machinery electric and automatic control technology development and consultation service | 100 | 100 | Note 1 |
| An-Tai International Investment Co., Ltd. | Hubbell-Taian Co., Ltd. | Import, export and sales of electric wiring devices, lighting, explosion proofing and other accessory products | 49.99 | 49.99 | Notes 1, 2 and 3 |
| Hubbell-Taian Co., Ltd. | Hubbell-Anmex International(s) Pte. Ltd. | Distribution of electronic products | 100 | 100 | Note 1 |
| Tong-An Assets Management & Development Co., Ltd. | Grey Back International Property Inc. | Real estate management and development | 100 | 100 | Note 1 |
| Tasia (Pte) Ltd. | TECO Technology & Marketing Center Co., Ltd. | Engaged in a variety of investment businesses | 100 | 100 | Note 1 |
| Jack Property Service & Management Company | Qingdao Jie Zheng Property Service & Management Company | Property management and related services | 100 | 100 | Note 1 |
| Tong-An Investment Co., Ltd. | Eurasia Food Service Co., Ltd. | Restaurant chain | 100 | 100 | Note 1 |
| Tong-An Investment Co., Ltd. | Xianlaoman Restaurant Co., Ltd. | Restaurant chain | 48.33 | 48.33 | Notes 1 and 2 |
| Tong-An Investment Co., Ltd. | Kogle Foods Co., Ltd. (Kogle) | Restaurant chain | 46.73 | 40.63 | Notes 1 and 2 |
| Tong-An Investment Co., Ltd. | Le-Li Co., Ltd. (Le-Li) | Restaurant chain | 49.73 | 49.06 | Notes 1 and 2 |

Note 1 : The above subsidiaries were not included in the consolidated financial statements as their respective total assets and operating revenues did not exceed the materiality threshold of the Company's total assets and operating revenues.

Note 2 : The Company has control over the personnel affairs, finance and business of the subsidiary. Thus, the Company has absolute control over the subsidiary.

Note 3: The subsidiary was dissolved during the year ended December 31, 2019 as resolved by the Board of Directors, and is in the process of liquidation after the approval the competent authority on April 14, 2020.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Details of significant non-controlling interests: Please refer to Note 6(33).

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group still retains partial interest in the former foreign associate entity after losing

significant influence over the former foreign associate such transactions should be accounted for as disposal of all interest in these foreign operations.

- (c) When the foreign operation is partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at balance sheet date.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The Group neither retains nor transfers substantially all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

(13) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(15) Investments accounted for under the equity method – associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss arising through subsequent assessments.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

| | |
|--------------------------|-------------|
| Buildings and structures | 10~50 years |
| Machinery and equipment | 3~15 years |
| Transportation equipment | 3~5 years |
| Other equipment | 2~15 years |
| Leasehold improvements | 3~5 years |

(17) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
 - (a) Fixed payments, less any lease incentives receivable; and
 - (b) Variable lease payments that depend on an index or a rate.The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 - (c) Any initial direct costs incurred by the lessee; and
 - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end

of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 15 to 60 years.

(19) Intangible assets

- A. Goodwill arises in a business combination accounted for by applying the acquisition method.
- B. Intangible assets except goodwill are mainly computer software, which is stated at cost and amortized on the straight-line basis over the estimated economic useful life.

(20) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
- B. The recoverable amounts of goodwill and intangible assets with an indefinite useful life are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(21) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

- (22) Notes and accounts payable
A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- (23) Financial liabilities at fair value through profit or loss
A. Financial liabilities are classified in this category of held for trading. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.
- (24) Bonds payable
Ordinary corporate bonds issued by the Group are initially recognized at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortized to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'finance costs'.
- (25) Derecognition of financial liabilities
A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.
- (26) Offsetting financial instruments
Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.
- (27) Financial guarantee contracts
A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. At initial recognition, the Group measures financial guarantee contracts at fair value and subsequently at the higher of the amount of provisions determined by the expected credit losses and the cumulative gains that were previously recognized.
- (28) Provisions for other liabilities
Provisions (including product warranties, etc.) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.
- (29) Employee benefits
A. Short-term employee benefits
Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the Group pays fixed contributions to an independent, publicly or privately administered pension fund. The Group has no further legal or constructive obligations once the contributions have been paid. The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(30) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its

subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, and associates except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. Based on the “Income Basic Tax Act”, if the regular income tax is equal or more than the basic tax, the income tax payable shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas, if the regular income tax is less than basic tax, the income tax payable shall be equal to the basic tax. The difference between the regular income tax and basic tax shall not be subject to deductions of investment tax credits granted under the provisions of other laws.

(31) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company’s equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s equity holders.

(32) Dividends

Cash dividends for the year ended December 31, 2018 are recorded as liabilities in the financial statements in the period in which they are resolved by the shareholders. However, pursuant to amended Article 240 of Company Act, cash dividends for the year ended December 31, 2019 are recorded as liabilities in the financial statements after a special resolution adopted by the Board of Directors.

(33) Revenue recognition

A. Sales of goods—wholesale

- (a) The Group manufactures and sells various types of mechanical equipment, air-conditioning units and electronic equipment products. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Electronic and machinery, electronic equipment and power generation equipment are often sold with volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances. Accumulated experience is used to estimate and provide for the volume discounts and sales discounts and allowances, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognized for expected volume discounts and sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The sales are made with a credit term of 30 days, As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.
- (d) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Installation and construction service of electrification products

- (a) The Group provides installation and construction service of electrification products. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual cost spent relative to the total cost. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.
- (b) Some contracts include sales and installation services of equipment. The equipment and the installation services provided by the Group are not distinct and are identified to be one performance obligation satisfied over time since the installation services involve significant customisation and modification. The Group recognises revenue on the basis of costs incurred relative to the total expected costs of that performance obligation. Conversely, the Group recognises revenue at an amount equal to the cost of a good if the good is not distinct and its cost is significant relative to the total expected costs, the customer is expected to obtain control of the good significantly before receiving services related to the good, and the Group procures the good from a

third party and is not involved in designing and manufacturing the good by acting as a principal.

- (c) The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

C. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(34) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(35) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquirer's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognized and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

(36) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgment, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(13) for the information of the assessment of goodwill impairment.

The amount of the Group's goodwill after recognizing the impairment loss was \$5,149,233 as at December 31, 2020.

6. Details of Significant Accounts

(1) Cash and cash equivalents

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Cash on hand and revolving funds | \$ 6,792 | \$ 19,451 |
| Checking accounts and demand deposits | 8,462,322 | 6,694,245 |
| Time deposits and notes issued under repurchase agreement | <u>11,928,146</u> | <u>12,397,675</u> |
| | <u>\$ 20,397,260</u> | <u>\$ 19,111,371</u> |

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2020 and 2019, certain bank deposits amounting to \$1,560,731 and \$440,212, respectively, were restricted due to earmarked construction projects, loans for purchasing materials and the regulation governing the management, utilization, and taxation of repatriated offshore funds reserved in special account (listed as '1470 Other current assets' and '1900 Other non-current assets'). Please refer to Note 8 for details.

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

| Items | December 31, 2020 | December 31, 2019 |
|--|---------------------|---------------------|
| Current items: | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Listed and OTC stocks | \$ 19,625 | \$ 17,328 |
| Emerging stocks | - | 22,268 |
| Money market fund | 89,548 | 112,769 |
| Derivative instruments | 9,722 | 236 |
| | <u>118,895</u> | <u>152,601</u> |
| Valuation adjustments | (4,710) | (25,656) |
| | <u>\$ 114,185</u> | <u>\$ 126,945</u> |
| Non-current items: | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Listed and OTC stocks | \$ 900,589 | \$ 902,868 |
| Non-listed and OTC stocks | 810,394 | 810,394 |
| Fund beneficiary certificate | 747,889 | 269,397 |
| | <u>2,458,872</u> | <u>1,982,659</u> |
| Valuation adjustments | 1,001,400 | 308,558 |
| | <u>\$ 3,460,272</u> | <u>\$ 2,291,217</u> |

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|--|---|---|
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Equity instruments | <u>\$ 893,503</u> | <u>\$ 216,570</u> |

B. The non-hedging derivative instrument transactions and contract information are as follows:

| | December 31, 2020 | | | |
|------------------------------------|--|---|-----------|------------|
| Derivative instrument | Contract period | Contract amount (Notional principal) | | Fair value |
| Forward foreign exchange contracts | | | | |
| SELL USD/BUY RMB | August 17, 2020 ~ January 25, 2021 | USD | 500,000 | \$ 1,051 |
| SELL USD/BUY RMB | October 12, 2020 ~ January 25, 2021 | USD | 1,000,000 | 1,085 |
| SELL USD/BUY RMB | October 30, 2020 ~ January 25, 2021 | USD | 500,000 | 437 |
| SELL USD/BUY RMB | October 30, 2020 ~ February 25, 2021 | USD | 500,000 | 480 |
| SELL USD/BUY RMB | November 5, 2020 ~ February 26, 2021 | USD | 500,000 | 396 |
| SELL USD/BUY RMB | November 5, 2020 ~ February 25, 2021 | USD | 500,000 | 379 |
| SELL USD/BUY RMB | November 6, 2020 ~ February 26, 2021 | USD | 500,000 | 375 |
| SELL USD/BUY RMB | December 1, 2020 ~ February 26, 2021 | USD | 500,000 | 185 |
| SELL USD/BUY RMB | December 16, 2020 ~ March 31, 2021 | USD | 1,000,000 | 218 |
| SELL USD/BUY RMB | December 29, 2020 ~ March 31, 2021 | USD | 1,000,000 | 218 |
| SELL USD/BUY RMB | August 17, 2020 ~ January 22, 2021 | USD | 500,000 | 1,049 |
| SELL USD/BUY RMB | November 5, 2020 ~ January 25, 2021 | USD | 500,000 | 361 |
| SELL USD/BUY RMB | November 5, 2020 ~ February 26, 2021 | USD | 300,000 | 217 |
| SELL USD/BUY RMB | December 23, 2020 ~ March 31, 2021 | USD | 500,000 | 142 |
| SELL USD/BUY RMB | December 23, 2020 ~ February 25, 2021 | USD | 500,000 | 110 |
| SELL USD/BUY RMB | August 26, 2020 ~ January 29, 2021 | USD | 500,000 | 959 |
| SELL USD/BUY RMB | October 13, 2020 ~ January 25, 2021 | USD | 500,000 | 608 |
| SELL USD/BUY RMB | November 5, 2020 ~ February 26, 2021 | USD | 500,000 | 386 |
| SELL USD/BUY RMB | November 5, 2020 ~ February 26, 2021 | USD | 500,000 | 379 |
| SELL USD/BUY RMB | December 1, 2020 ~ February 26, 2021 | USD | 500,000 | 183 |
| SELL USD/BUY RMB | December 16, 2020 ~ March 31, 2021 | USD | 1,000,000 | 231 |
| SELL USD/BUY RMB | December 29, 2020 ~ April 30, 2021 | USD | 500,000 | 135 |
| SELL USD/BUY RMB | November 5, 2020~ January 25, 2021 | USD | 200,000 | <u>138</u> |
| | | | | \$ 9,722 |

| | December 31, 2019 | | | |
|------------------------------------|---|---|---------|---------------|
| Derivative instrument | Contract period | Contract amount (Notional principal) | | Fair value |
| Forward foreign exchange contracts | | | | |
| SELL USD/BUY RMB | November 26, 2019 ~ January 21, 2020 | USD | 500,000 | \$ 128 |
| SELL USD/BUY RMB | November 26, 2019 ~ January 21, 2020 | USD | 500,000 | 108 |
| | | | | <u>\$ 236</u> |

C. The Group entered into forward foreign exchange contracts to sell to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts and foreign currency loan are not accounted for under hedge accounting.

D. Information relating to the price risk and fair value information of financial assets at fair value through profit or loss is provided in Note 12(2)(3).

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

| Items | December 31, 2020 | December 31, 2019 |
|---------------------------|----------------------|----------------------|
| Current items: | | |
| Listed and OTC stocks | \$ 1,090,985 | \$ 1,036,488 |
| Emerging stocks | 19,672 | 6,672 |
| | 1,110,657 | 1,043,160 |
| Valuation adjustments | 169,424 | 22,569 |
| | <u>\$ 1,280,081</u> | <u>\$ 1,065,729</u> |
| Non-current items: | | |
| Listed and OTC stocks | \$ 7,997,598 | \$ 7,975,067 |
| Non-listed and OTC stocks | 336,664 | 341,739 |
| | 8,334,262 | 8,316,806 |
| Valuation adjustments | 10,233,671 | 6,156,211 |
| | <u>\$ 18,567,933</u> | <u>\$ 14,473,017</u> |

A. The Group has elected to classify Taiwan High Speed Rail's stocks that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$19,848,014 and \$15,538,746 as at December 31, 2020 and 2019, respectively.

B. For the years ended December 31, 2020 and 2019, the Group sold stocks with fair values of \$14,400 and \$451,556, respectively, to raise the capital for operations; the cumulative gains on disposal are \$690 and \$65,818, respectively, and the realized profits were carried forward from other equity to retained earnings.

C. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|--|---|---|
| <u>Equity instruments at fair value through other comprehensive income</u> | | |
| Fair value change recognised in other comprehensive income | \$ 4,160,554 | \$ 3,371,209 |
| Cumulative gains reclassified to retained earnings due to derecognition | \$ 690 | \$ 65,818 |
| Dividend income recognised in profit or loss | | |
| Held at end of year | \$ 500,421 | \$ 507,173 |
| Derecognised during the year | 481 | 3,298 |
| | <u>\$ 500,902</u> | <u>\$ 510,471</u> |

D. Details of the Group's financial assets at fair value through other comprehensive income pledged to others as collateral are provided in Note 8.

E. Information relating to the price risk and fair value information of financial assets at fair value through other comprehensive income is provided in Note 12(2)(3).

(4) Financial assets at amortised cost

| Items | December 31, 2020 | December 31, 2019 |
|--------------------|-------------------|-------------------|
| Non-current items: | | |
| Time deposits | \$ 481,530 | \$ 377,256 |

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|-----------------|---|---|
| Interest income | \$ 9,062 | \$ 6,174 |

B. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group were \$481,530 and \$377,256, respectively.

C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Notes and accounts receivable

| | December 31, 2020 | December 31, 2019 |
|-------------------------------|---------------------|---------------------|
| Notes receivable | \$ 1,174,568 | \$ 1,120,799 |
| Less: Allowance for bad debts | (1,930) | (2,068) |
| | <u>\$ 1,172,638</u> | <u>\$ 1,118,731</u> |
| Accounts receivable | \$ 9,044,596 | \$ 8,944,405 |
| Less: Allowance for bad debts | (177,199) | (164,358) |
| | <u>\$ 8,867,397</u> | <u>\$ 8,780,047</u> |

- A. The ageing analysis of notes and accounts receivable that were past due but not impaired is as follows:

| | December 31, 2020 | December 31, 2019 |
|----------------|----------------------|---------------------|
| Not past due | \$ 8,109,155 | \$ 7,562,797 |
| Up to 30 days | 741,057 | 1,097,040 |
| 31 to 90 days | 706,746 | 658,164 |
| 91 to 180 days | 156,230 | 143,162 |
| Over 180 days | <u>326,847</u> | <u>437,615</u> |
| | <u>\$ 10,040,035</u> | <u>\$ 9,898,778</u> |

The above ageing analysis was based on past due date.

- B. As of December 31, 2020 and 2019, the balances of receivables (including notes receivable) from contracts with customers amounted to \$10,021,308 and \$9,879,488, respectively.
- C. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$1,172,638 and \$1,118,731 and accounts receivable were \$8,867,397 and \$8,780,047, respectively.
- D. Details of the Group's notes receivable pledged to others are provided in Note 8.
- E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(6) Inventories

| | December 31, 2020 | | |
|-------------------------|----------------------|---------------------------------|---------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 2,804,712 | (\$ 198,090) | \$ 2,606,622 |
| Work in progress | 1,170,476 | (11,980) | 1,158,496 |
| Finished goods | 5,211,272 | (487,134) | 4,724,138 |
| Inventory in transit | 547,592 | - | 547,592 |
| Merchandise inventories | <u>606,944</u> | <u>(16,544)</u> | <u>590,400</u> |
| | <u>\$ 10,340,996</u> | <u>(\$ 713,748)</u> | <u>\$ 9,627,248</u> |

| | December 31, 2019 | | |
|-------------------------|----------------------|---------------------------------|---------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 2,703,745 | (\$ 184,324) | \$ 2,519,421 |
| Work in progress | 1,004,142 | (13,430) | 990,712 |
| Finished goods | 5,476,656 | (460,089) | 5,016,567 |
| Inventory in transit | 417,960 | - | 417,960 |
| Merchandise inventories | 920,284 | (11,359) | 908,925 |
| | <u>\$ 10,522,787</u> | <u>(\$ 669,202)</u> | <u>\$ 9,853,585</u> |

A. The cost of inventories recognized as expense for the years ended December 31, 2020 and 2019 were \$23,742,177 and \$26,655,755, respectively, including \$188,159 and \$105,770 that the Group wrote down from cost to the net realizable value accounted for as cost of goods sold for the years ended December 31, 2020 and 2019, respectively.

B. The Group has no inventory pledged to others.

(7) Investments accounted for under the equity method

| | December 31, 2020 | December 31, 2019 |
|--|---------------------|---------------------|
| Associates: | | |
| 1. Tung Pei Industrial Co., Ltd. | \$ 2,134,415 | \$ 2,086,821 |
| 2. Creative Sensor Inc. | 403,856 | 398,472 |
| 3. Lien Chang Electronic Enterprise Co., Ltd. | 465,947 | 445,494 |
| 4. Others | 908,427 | 966,529 |
| | <u>3,912,645</u> | <u>3,897,316</u> |
| Less: Credit balance of investments accounted for under the equity method such as Teco Middle East Electrical & Machinery Co., Ltd. and Le-Li Co., Ltd. (shown as deductions on notes receivable-related parties, accounts receivable- related parties as well as other receivables-related parties, and other non- current liabilities) | (<u>134,617</u>) | (<u>110,326</u>) |
| | <u>\$ 3,778,028</u> | <u>\$ 3,786,990</u> |

The share of profit/loss of associates and joint ventures accounted for under the equity method for the years ended December 31, 2020 and 2019 are as follows:

| Associates: | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|---|---|---|
| 1. Tung Pei Industrial Co., Ltd. | \$ 122,438 | \$ 90,544 |
| 2. Creative Sensor Inc. | 21,854 | 21,093 |
| 3. Lien Chang Electronic Enterprise Co., Ltd. | 15,831 | 3,003 |
| 4. Others | (174,736) | (84,230) |
| | <u>(\$ 14,613)</u> | <u>\$ 30,410</u> |

A. Associates

(a) The basic information of the associates that are material to the Group is as follows:

| Company name | Principal place of business | Shareholding ratio | | Nature of relationship | Method of measurement |
|--|-----------------------------|--------------------|-------------------|------------------------|-----------------------|
| | | December 31, 2020 | December 31, 2019 | | |
| Tung Pei Industrial Co., Ltd. | R.O.C. | 31.14% | 31.14% | Financial investment | Equity method |
| Creative Sensor Inc. | R.O.C. | 11.50% | 11.50% | " | Equity method |
| Lien Chang Electronic Enterprise Co., Ltd. | R.O.C. | 33.84% | 33.84% | " | Equity method |

(b) The summarized financial information of the associates that are material to the Group is shown below:

Balance sheet

| | Tung Pei Industrial Co., Ltd. | |
|----------------------------------|-------------------------------|---------------------|
| | December 31, 2020 | December 31, 2019 |
| Current assets | \$ 5,145,021 | \$ 4,672,289 |
| Non-current assets | 7,422,413 | 7,805,002 |
| Current liabilities | (3,202,946) | (3,128,742) |
| Non-current liabilities | (1,815,524) | (1,927,696) |
| Total assets | <u>\$ 7,548,964</u> | <u>\$ 7,420,853</u> |
| Share in associate's net assets | \$ 2,134,415 | \$ 2,086,821 |
| Goodwill | - | - |
| Carrying amount of the associate | <u>\$ 2,134,415</u> | <u>\$ 2,086,821</u> |

| | Creative Sensor Inc. | |
|--|--|---|
| | December 31, 2020 | December 31, 2019 |
| Current assets | \$ 3,193,614 | \$ 3,220,429 |
| Non-current assets | 2,051,121 | 1,152,753 |
| Current liabilities | (1,865,805) | (920,458) |
| Non-current liabilities | (34,478) | (155,141) |
| Total net assets | <u>\$ 3,344,452</u> | <u>\$ 3,297,583</u> |
| Share in associate's net assets | \$ 403,856 | \$ 398,472 |
| Goodwill | - | - |
| Carrying amount of the associate | <u>\$ 403,856</u> | <u>\$ 398,472</u> |
| | Lien Chang Electronic Enterprise Co., Ltd. | |
| | December 31, 2020 | December 31, 2019 |
| Current assets | \$ 1,716,152 | \$ 1,583,967 |
| Non-current assets | 581,325 | 625,742 |
| Current liabilities | (880,136) | (841,291) |
| Non-current liabilities | (40,593) | (52,103) |
| Total net assets | <u>\$ 1,376,748</u> | <u>\$ 1,316,315</u> |
| Share in associate's net assets | \$ 465,947 | \$ 445,494 |
| Goodwill | - | - |
| Carrying amount of the associate | <u>\$ 465,947</u> | <u>\$ 445,494</u> |
| <u>Statement of comprehensive income</u> | | |
| | Tung Pei Industrial Co., Ltd. | |
| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
| Revenue | \$ 6,701,386 | \$ 7,169,410 |
| Profit for the period from continuing operations | \$ 395,620 | \$ 283,834 |
| Other comprehensive loss, net of tax | (87,536) | (57,206) |
| Total comprehensive income | <u>\$ 308,084</u> | <u>\$ 226,628</u> |
| Dividends received from associates | <u>\$ 54,803</u> | <u>\$ 78,290</u> |

| | Creative Sensor Inc. | |
|---|---|---|
| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
| Revenue | \$ 3,399,884 | \$ 4,169,494 |
| Profit for the period from continuing operations | \$ 190,268 | \$ 183,626 |
| Other comprehensive income, net of tax | 46,775 | 40,969 |
| Total comprehensive income | \$ 237,043 | \$ 224,595 |
| Dividends received from associates | \$ 17,514 | \$ 18,973 |

| | Lien Chang Electronic Enterprise Co., Ltd. | |
|---|--|---|
| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
| Revenue | \$ 2,298,426 | \$ 2,967,216 |
| Profit for the period from continuing operations | \$ 46,775 | \$ 8,872 |
| Other comprehensive income, net of tax | 13,658 | 7,361 |
| Total comprehensive income | \$ 60,433 | \$ 16,233 |
| Dividends received from associates | \$ - | \$ - |

(c) The Group holds less than 20% shares in its material associates, Creative Sensor Inc. and Kuen Ling. However, the Group has significant influence over the associates' Board of Directors, therefore, the associates were accounted for under the equity method.

(d) The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

As of December 31, 2020 and 2019, the carrying amount of the Group's individually immaterial associates amounted to \$908,427 and \$966,529, respectively.

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|--|---|---|
| Loss for the year from continuing operations | (\$ 174,736) | (\$ 84,230) |
| Total comprehensive loss | (\$ 174,736) | (\$ 84,230) |

(e) The fair values of the Group's material associates with quoted market prices are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---------------------|---------------------|
| 1.Lien Chang Electronic Enterprise Co., Ltd. | \$ 461,769 | \$ 427,981 |
| 2.Creative Sensor Inc. | 289,707 | 343,708 |
| 3.Kuen Ling Machinery Refrigerating Co., Ltd. | 307,790 | 270,499 |
| | <u>\$ 1,059,266</u> | <u>\$ 1,042,188</u> |

- (f) The Group is the single largest shareholder of Lien Chang Electronic Enterprise Co., Ltd. with a 33.84% equity interest. Given that the company is a listed company and its ownership is dispersed. Also, the Group's shareholding ratio in the company is lower than 50%, which indicates that the Group has no current ability to direct the relevant activities of Lien Chang Electronic Enterprise Co., Ltd., the Group has no control, but only has significant influence, over the investee.
- B. Investments accounted for using equity method for the years ended December 31, 2020 and 2019, are based on investees' financial statements audited by independent auditors. Gains on investments accounted for using equity method and other comprehensive net income for the years ended December 31, 2020 and 2019 were (\$21,039) and \$7,927, respectively. As of December 31, 2020 and 2019, the balances of investments accounted for using equity method were \$2,290,263 and \$2,535,314, respectively. The credit balances of investments accounted for using equity method were \$72,708 and \$97,139, respectively.
- C. Details of the Group's investments accounted for under the equity method pledged to others as collateral are provided in Note 8.

(8) Property, plant and equipment

| | Land | Buildings and structures | Leased assets - buildings and structures | Machinery and equipment | Leased assets - machinery and equipment | Transportation equipment | Leasehold improvements | Miscellaneous equipment | Total |
|---|---------------------|-----------------------------|--|----------------------------|---|-----------------------------|---------------------------|----------------------------|----------------------|
| <u>At January 1, 2020</u> | | | | | | | | | |
| Cost | \$ 5,538,032 | \$ 8,606,403 | \$ 5,318,033 | \$ 13,141,338 | \$ 662,367 | \$ 1,143,954 | \$ 572,091 | \$ 7,640,264 | \$ 42,622,482 |
| Accumulated depreciation and impairment | (34,697) | (4,310,726) | (2,052,629) | (11,324,271) | (611,419) | (725,825) | (445,720) | (6,374,365) | (25,879,652) |
| | <u>\$ 5,503,335</u> | <u>\$ 4,295,677</u> | <u>\$ 3,265,404</u> | <u>\$ 1,817,067</u> | <u>\$ 50,948</u> | <u>\$ 418,129</u> | <u>\$ 126,371</u> | <u>\$ 1,265,899</u> | <u>\$ 16,742,830</u> |
| <u>2020</u> | | | | | | | | | |
| Opening net book amount | \$ 5,503,335 | \$ 4,295,677 | \$ 3,265,404 | \$ 1,817,067 | \$ 50,948 | \$ 418,129 | \$ 126,371 | \$ 1,265,899 | \$ 16,742,830 |
| Additions | - | 65,208 | 11,294 | 309,516 | - | 156,941 | 23,871 | 222,799 | 789,629 |
| Disposals | (11,815) | (319) | - | (4,524) | - | (2,183) | (22,766) | (37,188) | (78,795) |
| Impairment loss | - | - | - | (20,423) | - | - | - | - | (20,423) |
| Reclassifications | (71,413) | (70,886) | (38,118) | (5,316) | 5,731 | - | - | (415) | (180,417) |
| Depreciation charge | - | (209,766) | (171,597) | (325,807) | (14,278) | (85,678) | (33,873) | (487,670) | (1,328,669) |
| Net exchange differences | 594 | (16,933) | 280 | (1,854) | - | (595) | (2,153) | 9,294 | (11,367) |
| Closing net book amount | <u>\$ 5,420,701</u> | <u>\$ 4,062,981</u> | <u>\$ 3,067,263</u> | <u>\$ 1,768,659</u> | <u>\$ 42,401</u> | <u>\$ 486,614</u> | <u>\$ 91,450</u> | <u>\$ 972,719</u> | <u>\$ 15,912,788</u> |
| <u>At December 31, 2020</u> | | | | | | | | | |
| Cost | \$ 5,455,398 | \$ 8,566,572 | \$ 5,285,406 | \$ 12,557,619 | \$ 650,463 | \$ 1,206,184 | \$ 540,536 | \$ 7,640,344 | \$ 41,902,522 |
| Accumulated depreciation and impairment | (34,697) | (4,503,591) | (2,218,143) | (10,788,960) | (608,062) | (719,570) | (449,086) | (6,667,625) | (25,989,734) |
| | <u>\$ 5,420,701</u> | <u>\$ 4,062,981</u> | <u>\$ 3,067,263</u> | <u>\$ 1,768,659</u> | <u>\$ 42,401</u> | <u>\$ 486,614</u> | <u>\$ 91,450</u> | <u>\$ 972,719</u> | <u>\$ 15,912,788</u> |

| | | | Leased assets | | Leased assets | | | | |
|--|---------------------|--------------------------|---------------------------|-------------------------|--------------------------|--------------------------|------------------------|-------------------------|----------------------|
| | Land | Buildings and structures | -buildings and structures | Machinery and equipment | -machinery and equipment | Transportation equipment | Leasehold improvements | Miscellaneous equipment | Total |
| <u>At January 1, 2019</u> | | | | | | | | | |
| Cost | \$ 5,557,179 | \$ 8,602,994 | \$ 5,283,793 | \$ 13,572,413 | \$ 656,849 | \$ 1,116,937 | \$ 578,721 | \$ 7,828,161 | \$ 43,197,047 |
| Accumulated depreciation and impairment | (34,697) | (4,170,145) | (1,873,902) | (11,595,220) | (617,430) | (711,455) | (442,523) | (6,388,132) | (25,833,504) |
| | <u>\$ 5,522,482</u> | <u>\$ 4,432,849</u> | <u>\$ 3,409,891</u> | <u>\$ 1,977,193</u> | <u>\$ 39,419</u> | <u>\$ 405,482</u> | <u>\$ 136,198</u> | <u>\$ 1,440,029</u> | <u>\$ 17,363,543</u> |
| <u>2019</u> | | | | | | | | | |
| Opening net book amount | \$ 5,522,482 | \$ 4,432,849 | \$ 3,409,891 | \$ 1,977,193 | \$ 39,419 | \$ 405,482 | \$ 136,198 | \$ 1,440,029 | \$ 17,363,543 |
| Additions | - | 193,790 | 4,680 | 310,565 | - | 91,161 | 27,147 | 299,645 | 926,988 |
| Effect of consolidated entity's movement | - | - | - | - | - | - | - | (874) | (874) |
| Disposals | (1,193) | (13,268) | - | (51,185) | - | (625) | (49) | (28,865) | (95,185) |
| Reclassifications | (12,545) | (23,379) | 29,741 | (37,590) | 25,950 | - | - | (26,791) | (44,614) |
| Depreciation charge | - | (223,217) | (177,820) | (340,655) | (14,421) | (76,597) | (35,350) | (394,881) | (1,262,941) |
| Net exchange differences | (5,409) | (71,098) | (1,088) | (41,261) | - | (1,292) | (1,575) | (22,364) | (144,087) |
| Closing net book amount | <u>\$ 5,503,335</u> | <u>\$ 4,295,677</u> | <u>\$ 3,265,404</u> | <u>\$ 1,817,067</u> | <u>\$ 50,948</u> | <u>\$ 418,129</u> | <u>\$ 126,371</u> | <u>\$ 1,265,899</u> | <u>\$ 16,742,830</u> |
| <u>At December 31, 2019</u> | | | | | | | | | |
| Cost | \$ 5,538,032 | \$ 8,606,403 | \$ 5,318,033 | \$ 13,141,338 | \$ 662,367 | \$ 1,143,954 | \$ 572,091 | \$ 7,640,264 | \$ 42,622,482 |
| Accumulated depreciation and impairment | (34,697) | (4,310,726) | (2,052,629) | (11,324,271) | (611,419) | (725,825) | (445,720) | (6,374,365) | (25,879,652) |
| | <u>\$ 5,503,335</u> | <u>\$ 4,295,677</u> | <u>\$ 3,265,404</u> | <u>\$ 1,817,067</u> | <u>\$ 50,948</u> | <u>\$ 418,129</u> | <u>\$ 126,371</u> | <u>\$ 1,265,899</u> | <u>\$ 16,742,830</u> |

- A. For the years ended December 31, 2020 and 2019, no borrowing cost was capitalized as part of property, plant and equipment.
- B. On July 2, 2020, the Board of Directors of the Company resolved to enter into a joint construction and development agreement with the subsidiary, Tong-An Assets Management & Development Co., Ltd., and MSIG Mingtai Insurance Company, Limited in order to restructure the building located in Zhongshan District, Taipei City which is jointly held by the Group and MSIG Mingtai Insurance Company, Limited.
- C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- D. The Company was unable to transfer the title of certain farmland to the Company's name due to legal restrictions. The land title was registered under an individual's name. Accordingly, the Company entered into an agreement with the said individual to secure the title and the first mortgage right.
- E. Impairment information about the property, plant and equipment is provided in Note 6(13).

(9) Leasing arrangements - lessee

- A. The Group leases various assets including land, buildings, machinery and equipment as well as business vehicles. Rental contracts are typically made for periods of 2 to 99 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but certain leased assets may not be used as security for borrowing purposes.
- B. On January 14, 2005, the Group's subsidiary, Century Development Corporation, completed the registration of right of superficies and paid royalties to Taipei City Government for acquiring land used for construction of the Nankang Software Park. The right of superficies is available for 50 years from the registration date. Land and building shall be returned to Taipei City Government unconditionally upon expiry of the right of superficies. Century Development Corporation's right-of-use-assets are amortized over the useful life of right of superficies of 50 years.
- C. On July 4, 2018, the Group's subsidiary, Century Biotech Development Corp., completed the registration of right of superficies and paid royalties to the Taipei City Government for acquiring land used for the construction of the Taipei City Nangang Biotechnology Industry Cluster Development BOT Project. The right of superficies is available for 50 years from the registration date. Land and building shall be returned to the Taipei City Government unconditionally upon expiry of the right of superficies. Century Biotech Development Corp.'s prepaid rents are amortized over the useful life of right of superficies of 50 years.
- D. The Group's subsidiary, CDC Development India Private Limited, acquired the land use right from the local government agency, KIADB, for India industrial park development. The total amount remitted for the land use right was INR \$1,750,350 and acquired land ownership of certificate.
- E. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$63,742 and \$293,543 and the sublease income were \$773,830 and \$754,583, respectively.
- F. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | <u>Carrying amount</u> | <u>Carrying amount</u> |
|---|----------------------------|----------------------------|
| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| Land (including royalties) | \$ 4,809,179 | \$ 4,840,702 |
| Buildings | 1,890,989 | 2,211,882 |
| Machinery and equipment | 30,105 | 40,476 |
| Transportation equipment (Business vehicles) | 21,959 | 26,104 |
| | <u>\$ 6,752,232</u> | <u>\$ 7,119,164</u> |
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> |
| | <u>For the year ended</u> | <u>For the year ended</u> |
| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| Land (including royalties) | \$ 99,262 | \$ 98,233 |
| Buildings | 368,502 | 386,252 |
| Machinery and equipment | 13,331 | 14,671 |
| Transportation equipment (Business vehicles) | 13,232 | 12,057 |
| | <u>\$ 494,327</u> | <u>\$ 511,213</u> |

- G. Interest expenses on lease liabilities for the years ended December 31, 2020 and 2019 were \$83,862 and \$91,709 and the cash outflows were \$523,774 and \$553,993, respectively.
- H. Expenses on short-term leases and leases of low-value assets which are not subject to IFRS 16 for the years ended December 31, 2020 and 2019 were \$363,915 and \$287,715; \$21,729 and \$9,950, respectively.
- I. The Group has applied the practical expedient to “Covid-19-related rent concessions”, and recognised the gain from changes in lease payments arising from the rent concessions amounting to \$19,899 in profit from lease modification (shown as ‘7020 Other gains and losses’) for the year ended December 31, 2020.

(10) Investment property

| | <u>Land</u> | <u>Buildings and structures</u> | <u>Right-of-use assets</u> | <u>Total</u> |
|---|---------------------|-------------------------------------|--------------------------------|---------------------|
| <u>At January 1, 2020</u> | | | | |
| Cost | \$ 1,443,225 | \$ 2,712,555 | \$ - | \$ 4,155,780 |
| Accumulated depreciation and impairment | - | (1,393,210) | - | (1,393,210) |
| | <u>\$ 1,443,225</u> | <u>\$ 1,319,345</u> | <u>\$ -</u> | <u>\$ 2,762,570</u> |
| <u>2020</u> | | | | |
| Opening net book amount | \$ 1,443,225 | \$ 1,319,345 | \$ - | \$ 2,762,570 |
| Reclassifications (transfer during the period) | 71,413 | 70,886 | 15,227 | 157,526 |
| Depreciation charge | - | (66,423) | (417) | (66,840) |
| Net exchange differences | (9,181) | 7,273 | (384) | (2,292) |
| Closing net book amount | <u>\$ 1,505,457</u> | <u>\$ 1,331,081</u> | <u>\$ 14,426</u> | <u>\$ 2,850,964</u> |
| <u>At December 31, 2020</u> | | | | |
| Cost | \$ 1,505,457 | \$ 2,794,910 | \$ 27,655 | \$ 4,328,022 |
| Accumulated depreciation and impairment | - | (1,463,829) | (13,229) | (1,477,058) |
| | <u>\$ 1,505,457</u> | <u>\$ 1,331,081</u> | <u>\$ 14,426</u> | <u>\$ 2,850,964</u> |

| | Land | Buildings and structures | Total |
|--|---------------------|-----------------------------|---------------------|
| <u>At January 1, 2019</u> | | | |
| Cost | \$ 1,435,178 | \$ 2,705,183 | \$ 4,140,361 |
| Accumulated depreciation and impairment | - | (1,356,587) | (1,356,587) |
| | <u>\$ 1,435,178</u> | <u>\$ 1,348,596</u> | <u>\$ 2,783,774</u> |
| <u>2019</u> | | | |
| Opening net book amount | \$ 1,435,178 | \$ 1,348,596 | \$ 2,783,774 |
| Reclassifications (transfers during the period) | 12,545 | 23,379 | 35,924 |
| Depreciation charge | - | (64,987) | (64,987) |
| Net exchange differences | (4,498) | 12,357 | 7,859 |
| Closing net book amount | <u>\$ 1,443,225</u> | <u>\$ 1,319,345</u> | <u>\$ 2,762,570</u> |

At December 31, 2019

| | | | |
|--|---------------------|---------------------|---------------------|
| Cost | \$ 1,443,225 | \$ 2,712,555 | \$ 4,155,780 |
| Accumulated depreciation and impairment | - | (1,393,210) | (1,393,210) |
| | <u>\$ 1,443,225</u> | <u>\$ 1,319,345</u> | <u>\$ 2,762,570</u> |

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|---|---|---|
| Rental income from investment property | <u>\$ 180,530</u> | <u>\$ 148,493</u> |
| Direct operating expenses arising from the investment property that generated rental income during the year | <u>\$ 52,567</u> | <u>\$ 33,612</u> |
| Direct operating expenses arising from the investment property that did not generate rental income during the year | <u>\$ -</u> | <u>\$ -</u> |

B. The fair value of the investment property held by the Group as at December 31, 2020 and, 2019 were \$5,223,819 and \$4,850,243, respectively, which is categorized within Level 3 in the fair value hierarchy.

(11) Goodwill (listed as '1780 Intangible assets')

| | 2020 | 2019 |
|---|---------------------|---------------------|
| <u>At January 1</u> | | |
| Cost | \$ 5,039,455 | \$ 5,233,626 |
| Accumulated amortization and impairment | - | - |
| | <u>\$ 5,039,455</u> | <u>\$ 5,233,626</u> |
| Opening net book amount | \$ 5,039,455 | \$ 5,233,626 |
| Impairment loss | (57,527) | \$ - |
| Net exchange differences | 167,305 | (194,171) |
| Closing net book amount | <u>\$ 5,149,233</u> | <u>\$ 5,039,455</u> |
| <u>At December 31</u> | | |
| Cost | \$ 5,206,760 | \$ 5,039,455 |
| Accumulated amortization and impairment | (57,527) | - |
| | <u>\$ 5,149,233</u> | <u>\$ 5,039,455</u> |

Goodwill is allocated as follows to the Group's cash-generating units identified according to operating segment:

| | December 31, 2020 | December 31, 2019 |
|------------------------------------|---------------------|---------------------|
| Heavy industrial products division | <u>\$ 5,149,233</u> | <u>\$ 5,039,455</u> |

- A. Information on impairment of goodwill for the year ended December 31, 2020 is provided in 6(13).
- B. On October 15, 2015, the Group acquired 100% equity and obtained control over Motovario S.p.A., which is headquartered in Italy and is primarily engaged in manufacturing and sales of power transmission equipment such as motors and gear reducers, and its subsidiaries for a cash consideration of \$3,989,850 (EUR 108,214 thousand). As of December 31, 2020, the goodwill arising from the merger amounted to \$5,123,595.

(12) Other non-current assets

| | December 31, 2020 | December 31, 2019 |
|---|---------------------|-------------------|
| Prepayment for equipment | \$ 692,736 | \$ 335,714 |
| Refundable deposits | 236,051 | 305,771 |
| Deposits account for repatriation of capital from Taiwan's offshore companies | 169,411 | - |
| Long-term notes and accounts receivable | 146,784 | 170,309 |
| Deferred expenses | 35,934 | 65,289 |
| Other assets | 32,423 | 59,924 |
| | <u>\$ 1,313,339</u> | <u>\$ 937,007</u> |

The Group's repatriation of offshore reinvestment income amounting to US\$6,300,000 is allowed to apply a preferential tax rate of 8% and shall be reserved in foreign exchange deposit account before having substantial investments as a result of the Group qualifying the requirements of the Management, Utilization, and Taxation of Repatriated Offshore Funds Act as approved by the National Taxation Bureau of Taipei, Ministry of Finance on August 27, 2020.

(13) Impairment of non-financial assets

- A. The Group recognised impairment loss for the years ended December 31, 2020 and 2019 amounting to \$77,950 and \$20,625, respectively. Details of such loss are as follows:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|---|---|---|
| | Recognised in profit or loss | Recognised in profit or loss |
| Impairment loss — goodwill | \$ 57,527 | \$ - |
| Impairment loss — machinery | 20,423 | - |
| Impairment loss — investment accounted for using equity method | - | 20,625 |
| | <u>\$ 77,950</u> | <u>\$ 20,625</u> |

- B. The impairment loss reported by operating segments is as follows:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|---------------------------------|---|---|
| | Recognised in profit or loss | Recognised in profit or loss |
| Heavy industrial products group | \$ 62,083 | \$ - |
| Home appliance division | 15,867 | - |
| Others | - | 20,625 |
| | <u>\$ 77,950</u> | <u>\$ 20,625</u> |

- C. There was an indication that assets of the Company's subsidiaries, Nanchang Teco Electric & Machinery Co., Ltd. and Fujian Teco Precision Co., Ltd were impaired. Under the impairment assessment, the Group had adjusted the carrying amount in line with the recoverable amount, and recognised impairment loss amounting to \$20,423 for the year ended December 31, 2020.
- D. The Company's subsidiary, An-Tai International Investment Co., Ltd., assessed the ability to continue as a going concern on its investment accounted for using equity method, Hubbell-Taian Co., Ltd.. Under the assessment, certain investments could not be recovered, and there was a concern that the investment value was impaired. Therefore, the Group recognised impairment loss amounting to \$20,625 for the year ended December 31, 2019.
- E. Operating revenue of Motorvario S.p.A is lower than its forecast due to the Covid-19 outbreak. The recoverable amount was less than its carrying amount under the Group's assessment for the investment. Therefore, the Group recognised impairment loss of goodwill amounting to \$57,527 for the year ended December 31, 2020.

The recoverable amount was determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. The main assumptions used in calculating value in use are set out below.

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|---------------|---|---|
| Growth rate | 2.11% | 2.12% |
| Discount rate | 8.25% | 7.60% |

The adopted weighted average growth rate is calculated based on the inflation growth rate prevailing in the business location. The adopted discount rate is a pre-tax rate and reflecting the specified risk of Motorvario S.p.A.

(14) Short-term borrowings

| Type of borrowings | December 31, 2020 | Interest rate range | Collateral |
|--------------------|---------------------|---------------------|---|
| Bank borrowings | \$ <u>2,816,832</u> | 0.60%~5.00% | Financial assets at fair value through other comprehensive income, notes receivable, land, buildings and structures and right-of-use assets |
| Type of borrowings | December 31, 2019 | Interest rate range | Collateral |
| Bank borrowings | \$ <u>1,857,637</u> | 0.63%~3.22% | Financial assets at fair value through other comprehensive income, notes receivable, land, buildings and structures, right-of-use assets, treasury stocks |

(15) Financial liabilities at fair value through profit or loss

| Items | December 31, 2020 | December 31, 2019 |
|-------|-------------------|-------------------|
|-------|-------------------|-------------------|

Current items:

Financial liabilities held for trading

Non-hedging derivatives \$ - \$ 50

- A. The Group recognized net income (loss) of \$50 and (\$279) on financial liabilities held for trading for the years ended December 31, 2020 and 2019, respectively.
- B. Explanations of the transactions and contract information in respect of non-hedged derivative financial liabilities are as follows:

| December 31, 2019 | | | |
|------------------------------------|-----------------------|----------------------|--------------|
| | | Contract amount | |
| Derivative instrument | Contract period | (Notional principal) | Fair value |
| Forward foreign exchange contracts | | | |
| SELL USD/BUY RMB | 2019.11.26~2020.01.21 | USD 500,000 | \$ <u>50</u> |

- C. As at December 31, 2020, information on the non-hedging derivative instruments transaction is provided in Note 6(2).
- D. The Group entered into forward foreign exchange contracts to sell to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts and foreign currency loan are not accounted for under hedge accounting.

(16) Other payables

| | December 31, 2020 | December 31, 2019 |
|--|---------------------|---------------------|
| Salary and wages payable | \$ 1,900,645 | \$ 1,839,455 |
| Employees' compensation payable | 616,912 | 548,749 |
| Dealers' bonus commission payable | 200,189 | 189,286 |
| Directors' and supervisors' remuneration payable | 168,282 | 139,813 |
| Equipment payable | 197,130 | 75,414 |
| Dividends payable | 25,156 | 25,612 |
| Others | 1,794,661 | 1,858,259 |
| | <u>\$ 4,902,975</u> | <u>\$ 4,676,588</u> |

(17) Bonds payable

| | December 31, 2020 | December 31, 2019 |
|--|---------------------|---------------------|
| Issuance of bonds payable | \$ 6,000,000 | \$ 4,000,000 |
| Less: Current portion of bonds payable (listed as '2320 Long-term liabilities, current portion') | - | (3,000,000) |
| | <u>\$ 6,000,000</u> | <u>\$ 1,000,000</u> |

- A. The terms of the first domestic unsecured ordinary corporate bonds issued by the Company in 2015 are as follows:
The Company issued \$3,000,000, 1.45% first domestic unsecured ordinary corporation bonds, as approved by the regulatory authority on June 18, 2015. The bonds mature 5 years from the issue date (June 18, 2015 ~ June 18, 2020) and will be redeemed at face value at the maturity date. As of June 18, 2020, the bonds were all redeemed.
- B. The terms of the first domestic unsecured ordinary corporate bonds issued by the Company in 2017 are as follows:
The Company issued \$1,000,000, 1.02% first domestic unsecured ordinary corporation bonds, as approved by the regulatory authority on September 15, 2017. The bonds mature 5 years from the issue date (September 15, 2017 ~ September 15, 2022) and will be redeemed at face value at the maturity date.
- C. The terms of the first domestic unsecured ordinary corporate bonds issued by the Company in 2020 are as follows:
The Company issued \$3,000,000, 0.70% first domestic unsecured ordinary corporation bonds, as approved by the regulatory authority on June 9, 2020. The bonds mature 5 years from the issue date (June 12, 2020 ~ June 12, 2025) and will be redeemed at face value at the maturity date.
- D. The terms of the second domestic unsecured ordinary corporate bonds issued by the Company in 2020 are as follows:
The Company issued \$2,000,000, 0.60% first domestic unsecured ordinary corporation bonds, as approved by the regulatory authority on September 4, 2020. The bonds mature 5 years from the issue date (September 15, 2020 ~ September 15, 2025) and will be redeemed at face value at the maturity date.

(18) Long-term borrowings

| Type of borrowings | Borrowing period and repayment term | Interest rate range | | December 31, 2020 |
|---|--|---------------------|------------|--------------------|
| Long-term bank borrowings and commercial papers payable | Both borrowing periods are from August 4, 2016 to March 11, 2035; payable based on the agreed terms. | 0.50%~1.75% | Note | \$3,611,731 |
| Less: Current portion (listed as '2320 Long-term liabilities, current portion') | | | | (302,331) |
| | | | | <u>\$3,309,400</u> |
| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2019 |
| Long-term bank borrowings and commercial papers payable | Both borrowing periods are from August 4, 2016 to Dec. 31, 2021; payable based on the agreed terms. | 0.48%~3.92% | Note | \$7,084,752 |
| Less: Current portion (listed as '2320 Long-term liabilities, current portion') | | | | (410,798) |
| | | | | <u>\$6,673,954</u> |

Note: Details of the Group's assets pledged to others as collateral for borrowings are provided in Note 8.

A. Under the long-term contracts with certain financial institutions, the Group is required to maintain certain financial ratios and capital requirements as well as meet certain restrictions relative to significant asset acquisitions or disposals.

B. As of December 31, 2020 and 2019, the Group has undrawn borrowing facilities of \$22,248,893 and \$20,190,686, respectively.

(19) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not sufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

| | December 31, 2020 | December 31, 2019 |
|--|-----------------------|-----------------------|
| Present value of defined benefit obligations | (1,991,074) | (2,076,737) |
| Fair value of plan assets | 334,126 | 273,086 |
| Net defined benefit liability | <u>(\$ 1,656,948)</u> | <u>(\$ 1,803,651)</u> |

(c) Movements in net defined benefit liabilities are as follows:

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|--|------------------------------|----------------------------------|
| For the year ended December 31, 2020 | | | |
| Balance at January 1 | (\$ 2,076,737) | \$ 273,086 | (\$ 1,803,651) |
| Current service cost | (8,742) | - | (8,742) |
| Interest (expense) income | (16,603) | 2,226 | (14,377) |
| Settlement gain or loss | <u>12,021</u> | <u>(9,668)</u> | <u>2,353</u> |
| | <u>(\$ 2,090,061)</u> | <u>\$ 265,644</u> | <u>(\$ 1,824,417)</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 10,162 | 10,162 |
| Change in demographic assumptions | (25) | - | (25) |
| Change in financial assumptions | (55,316) | - | (55,316) |
| Experience adjustments | <u>32,225</u> | <u>-</u> | <u>32,225</u> |
| | <u>(23,116)</u> | <u>10,162</u> | <u>(12,954)</u> |
| Pension fund contribution | - | 176,836 | 176,836 |
| Paid pension | 121,570 | (121,570) | - |
| Paid from the account | 17,261 | - | 17,261 |
| Effect of exchange rate changes | <u>(16,728)</u> | <u>3,054</u> | <u>(13,674)</u> |
| Balance at December 31 | <u>(\$ 1,991,074)</u> | <u>\$ 334,126</u> | <u>(\$ 1,656,948)</u> |

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|--|------------------------------|----------------------------------|
| For the year ended December 31, 2019 | | | |
| Balance at January 1 | (\$ 2,209,928) | \$ 346,370 | (\$ 1,863,558) |
| Current service cost | (54,082) | - | (54,082) |
| Interest (expense) income | (25,952) | 3,929 | (22,023) |
| | (2,289,962) | 350,299 | (1,939,663) |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 13,022 | 13,022 |
| Change in demographic assumptions | (2,493) | - | (2,493) |
| Change in financial assumptions | (32,536) | - | (32,536) |
| Experience adjustments | (60,280) | - | (60,280) |
| | (95,309) | 13,022 | (82,287) |
| Pension fund contribution | - | 104,893 | 104,893 |
| Paid pension | 195,805 | (195,805) | - |
| Paid from the account | 107,440 | - | 107,440 |
| Effect of exchange rate changes | 5,289 | 1,262 | 6,551 |
| Others | - | (585) | (585) |
| Balance at December 31 | (\$ 2,076,737) | \$ 273,086 | (\$ 1,803,651) |

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company and its domestic subsidiaries defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and its domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|-------------------------|---|---|
| Discount rate | 0.30%~6.23% | 0.70%~6.85% |
| Future salary increases | 0.50%~10.00% | 0.50%~8.16% |

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

| | Discount rate | | Future salary increases | |
|---|---------------|---------------|-------------------------|---------------|
| | Increase 0.5% | Decrease 0.5% | Increase 0.5% | Decrease 0.5% |
| December 31, 2020 | | | | |
| Effect on present value of defined benefit obligation | (\$ 64,862) | \$ 68,744 | \$ 67,800 | (\$ 64,324) |
| December 31, 2019 | | | | |
| Effect on present value of defined benefit obligation | (\$ 72,803) | \$ 77,294 | \$ 76,417 | (\$ 72,425) |

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 is \$114,931.

(g) The weighted average duration of the defined benefit obligation was 7~14 years as of December 31, 2020.

B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Group’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage for the years ended December 31, 2020 and 2019 ranged from 13%~20%. Other than the monthly contributions, the Group has no further obligations.

(c) Monthly contributions to an independent fund administered by the local pension managing agency are based on a certain percentage of monthly salaries and wages of the Group’s other overseas subsidiaries’ employees.

(d) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were \$375,272 and \$435,629, respectively.

(20) Share capital

- A. As of December 31, 2020, the Company's authorized capital was \$30,305,500, consisting of 3,030,550 thousand shares of ordinary stock, including 100 million shares reserved for employee stock options, and the paid-in capital was \$19,676,929 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

| | 2020 | 2019 |
|-------------------------------|---------------------|---------------------|
| At January 1 | \$ 1,967,693 | \$ 2,002,693 |
| Share repurchased and retired | - | (35,000) |
| At December 31 | <u>\$ 1,967,693</u> | <u>\$ 1,967,693</u> |

Note: Shares in thousands.

- B. The Board of Directors' meeting on May 13, 2019 resolved a capital reduction through retiring 35,000 thousand of treasury shares and it was registered on June 11, 2019. The purchase amount of treasury shares was \$675,840 and the share capital and capital surplus was decreased by \$350,000 and \$325,840, respectively. As a result, the retirement of treasury shares has no impact to the total amount of stockholders' equity.
- C. All of the shares of the Company held by the Company's subsidiaries-Tong-An Investment Co., Ltd. and An-Tai International Investment Co., Ltd. were acquired in or before 2000 for the purpose of general investment. After a regulation of the Company Act was amended in 2000 wherein the shares of the holding company shall not be purchased nor be accepted as a security or pledge by its subsidiary, the two subsidiaries did not acquire additional shares of the Company. In addition, Top-Tower Enterprises Co., Ltd. also held the Company's shares before the Company obtained control of Top-Tower Enterprises Co., Ltd. in August, 2013, and did not acquire additional shares of the Company again after the Company obtained its control. Also, the subsidiary - Taiwan Pelican Express Co., Ltd. is a subsidiary over which the Company has substantial control. The Company, however, holds less than 50% of the subsidiary's shares. Therefore, the shares of the Company acquired by the subsidiary are free from the restrictions of Article 167 of Company Act and such investment on the Company's shares is a general investment. As of December 31, 2020 and 2019, book value of the shares of the Company held by the subsidiaries amounted to \$511,710 and \$321,563, respectively.

Details are as follows:

| | December 31, 2020 | | |
|---|--------------------------|----------------------|------------------------------|
| | Shares (in thousands) | Cost (in dollars) | Market value (in dollars) |
| Tong-An Investment Co., Ltd. | 19,540 | \$ 14.92 | \$ 27.65 |
| An-Tai International Investment Co., Ltd. | 2,826 | 10.37 | 27.65 |
| Top-Tower Enterprises Co., Ltd. | 77 | 9.37 | 27.65 |
| Taiwan Pelican Express Co., Ltd. | <u>7,070</u> | <u>26.89</u> | <u>27.65</u> |
| | <u>29,513</u> | | |
| | December 31, 2019 | | |
| | Shares (in thousands) | Cost (in dollars) | Market value (in dollars) |
| Tong-An Investment Co., Ltd. | 19,540 | \$ 14.92 | \$ 26.20 |
| An-Tai International Investment Co., Ltd. | 2,826 | 10.37 | 26.20 |
| Top-Tower Enterprises Co., Ltd. | <u>77</u> | <u>9.37</u> | <u>26.20</u> |
| | <u>22,443</u> | | |

(21) Capital surplus

- A. Pursuant to the R.O.C Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. The impact of the share capital retirement of 2019 on capital surplus is provided in Note 6(20).

(22) Retained earnings and legal reserve

- A. As stipulated in the Company's Articles of Incorporation, the current earnings, if any, shall be distributed in the following order:
- (a) Payment of taxes and duties.
 - (b) Covering prior years' accumulated deficit, if any.
 - (c) After deducting items (a) and (b), set aside 10% of the remaining amount as legal reserve.
 - (d) Set aside a certain amount as special reserve, if any.
 - (e) Distributing the remaining amount plus prior years' retained earnings to shareholders according to their shareholding percentage. The distribution rate is principally 80%, of which cash dividend shall account for 5% ~ 50% of the distributed amount.
- B. The Company's dividend policy is summarized below:
The Company's operating environment is in the stable growth stage. However, investee companies are still in the growth stage. In view of the future plant expansion and investment plans, the appropriations of earnings are based on the distributable earnings and appropriate principally 80% to shareholders as dividends. Cash dividends shall account for at least 5% up to maximum of 50% of total dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land. As of March 31, 2020, the amount previously set aside as special reserve on initial application of IFRSs and yet to be reversed amounted to \$3,640,779.
- E. The Company recognized dividends distributed to owners amounting to \$1,948,016 (\$0.99 (in dollars) per share) and \$1,770,924 (\$0.9 (in dollars) per share) for the years ended December 31, 2020 and 2019, respectively. On March 23, 2021, the Board of Directors proposed for the distribution of dividends from 2020 earnings in the amount of \$2,459,616 with \$1.15 (in dollars) per share.

(23) Other equity items

| | Unrealized gains on valuation | Currency translation | Total |
|---|----------------------------------|-------------------------|---------------------|
| At January 1, 2020 | \$ 6,247,481 | (\$ 2,676,725) | \$ 3,570,756 |
| Unrealized gains and losses on financial assets: | | | |
| –Group | 4,109,067 | - | 4,109,067 |
| –Associates | 1,076 | - | 1,076 |
| Revaluation transferred to retained earnings | (690) | - | (690) |
| Currency translation differences: | | | |
| –Group | - | (340,951) | (340,951) |
| At December 31, 2020 | <u>\$ 10,356,934</u> | <u>(\$ 3,017,676)</u> | <u>\$ 7,339,258</u> |
| | Unrealized gains on valuation | Currency translation | Total |
| At January 1, 2019 | \$ 3,006,782 | (\$ 1,901,724) | \$ 1,105,058 |
| Unrealized gains and losses on financial assets: | | | |
| –Group | 3,292,609 | - | 3,292,609 |
| –Associates | 13,908 | - | 13,908 |
| Revaluation transferred to retained earnings | (65,818) | - | (65,818) |
| Currency translation differences: | | | |
| –Group | - | (775,001) | (775,001) |
| At December 31, 2019 | <u>\$ 6,247,481</u> | <u>(\$ 2,676,725)</u> | <u>\$ 3,570,756</u> |

(24) Operating revenue

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|--|---|---|
| Revenue from customers | \$ 44,491,182 | \$ 46,964,134 |
| Others - rental revenue | 859,426 | 822,126 |
| Others - gain on financial assets at fair value through profit or loss | <u>472,822</u> | <u>123,098</u> |
| | <u>\$ 45,823,430</u> | <u>\$ 47,909,358</u> |

A. Disaggregation of revenue from customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|------------------------------------|---|---|
| | Revenue from external customer contracts | Revenue from external customer contracts |
| Sales of heavy industrial products | \$ 25,162,185 | \$ 29,057,373 |
| Sales of home appliances | 5,268,253 | 5,064,350 |
| Others | 1,885,678 | 2,001,515 |
| Service revenue | 7,762,790 | 7,642,276 |
| Construction contract | 4,412,276 | 3,198,620 |
| | <u>\$ 44,491,182</u> | <u>\$ 46,964,134</u> |

B. The Group has recognized the following revenue-related contract assets and liabilities:

Revenue recognized that was included in the contract liability balance at the beginning of the period

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|--|---|---|
| Revenue recognized that was included in the contract liability balance at the beginning of the period | | |
| Advance sales receipts | \$ 495,680 | \$ 581,346 |
| Royalty received in advance | - | 821 |
| | <u>\$ 495,680</u> | <u>\$ 582,167</u> |

(25) Interest income

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|---|---|---|
| Interest income from bank deposits | \$ 185,864 | \$ 310,372 |
| Interest income from financial assets measured at amortised cost | 9,062 | 6,174 |
| | <u>\$ 194,926</u> | <u>\$ 316,546</u> |

(26) Other income

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|----------------------------|---|---|
| Rental revenue | \$ 177,915 | \$ 164,835 |
| Dividend income | 615,445 | 616,897 |
| Other non-operating income | 263,683 | 299,739 |
| | <u>\$ 1,057,043</u> | <u>\$ 1,081,471</u> |

(27) Other gains and losses

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|---|---|---|
| Loss on disposal of property, plant and equipment | (\$ 38,447) | (\$ 22,635) |
| Gain on disposal of investments | 123 | 34,063 |
| Gains arising from lease modifications | 316 | - |
| Gains arising from concession of lease payments | 19,899 | - |
| Net currency exchange loss | (80,595) | (39) |
| Gain on financial assets at fair value through profit or loss | 420,681 | 93,472 |
| Gain (loss) on financial liabilities at fair value through profit or loss | 50 | (279) |
| Impairment loss (Note) | (77,950) | (20,625) |
| Miscellaneous disbursements | (374,247) | (345,527) |
| | (\$ 130,170) | (\$ 261,570) |

Note: Information regarding the impairment loss is provided in Note 6(13).

(28) Finance costs

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|------------------------|---|---|
| Interest expense | \$ 236,730 | \$ 261,857 |
| Other finance expenses | 4,765 | 1,991 |
| | \$ 241,495 | \$ 263,848 |

(29) Expenses by nature (including employee benefit expense)

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|---|---|---|
| Wages and salaries | \$ 8,239,885 | \$ 8,349,747 |
| Employees' compensation and directors' remuneration | 553,830 | 540,741 |
| Labor and health insurance fees | 921,205 | 948,658 |
| Pension costs | 396,038 | 511,734 |
| Other personnel expenses | 409,533 | 445,655 |
| Depreciation charges on property, plant and equipment as well as investment property | 1,395,509 | 1,327,928 |
| Depreciation charges on right-of-use assets and amortization charges on intangible assets | 610,002 | 611,871 |

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 1%~10% for employees' compensation and shall not be higher than 5% for directors' remuneration.

- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$284,575 and \$258,192, respectively; while directors' remuneration was accrued at \$126,478 and \$114,752, respectively. The aforementioned amounts were recognized in salary expenses.
- C. For the year ended December 31, 2020, after considering each year's earnings, the employee benefit expenses were accrued based on past experience and ratio. The employees' compensation and directors' remuneration resolved by the Board of Directors were \$284,575 and \$109,939, and the employees' compensation will be distributed in the form of cash. Employee's compensation and directors remuneration of 2019 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2019 financial statements. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the year | \$ 574,580 | \$ 773,894 |
| Tax on undistributed surplus earnings | 33,600 | 116,364 |
| Prior year income tax overestimation | (211,587) | (52,262) |
| Effect from Alternative Minimum tax | 50 | 7,681 |
| Total current tax | <u>396,643</u> | <u>845,677</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | <u>191,457</u> | <u>74,997</u> |
| Total deferred tax | <u>191,457</u> | <u>74,997</u> |
| Income tax expense | <u>\$ 588,100</u> | <u>\$ 920,674</u> |

- (b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|--|---|---|
| Currency translation differences | (70,484) | (25,774) |
| Remeasurement of defined benefit obligations | (247) | (95) |
| | <u>(\$ 70,731)</u> | <u>(\$ 25,869)</u> |

B. Reconciliation between income tax expense and accounting profit:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|--|---|---|
| Tax calculated based on profit before tax and statutory tax rate | \$ 1,302,683 | \$ 1,437,110 |
| Effects from items disallowed by tax regulation | (534,135) | (424,593) |
| Effect from investment tax credits | (35,287) | (76,013) |
| Prior year income tax overestimation | (211,587) | (52,262) |
| Under (over) estimation of prior year's net deferred tax assets and liabilities earnings | 31,760 | (55,070) |
| Tax on undistributed surplus earnings | 33,600 | 116,364 |
| Effect from Alternative Minimum Tax | 50 | 7,681 |
| Others | 1,016 | (32,543) |
| Income tax expense | <u>\$ 588,100</u> | <u>\$ 920,674</u> |

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

| For the year ended December 31, 2020 | | | | |
|---|-----------------------|------------------------------------|---|-----------------------|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | December 31 |
| Temporary differences | | | | |
| — Deferred tax assets: | | | | |
| Impairment loss | \$ 96,779 | \$ - | \$ - | \$ 96,779 |
| Currency translation differences | 301,280 | - | 70,484 | 371,764 |
| Difference resulting from different useful lives of property, plant and equipment between financial and tax basis | 45,822 | (1,445) | - | 44,377 |
| Unrealized expenses | 362,107 | (108,338) | - | 253,769 |
| Permanent loss on investments | 35,080 | - | - | 35,080 |
| Loss on inventory | 78,505 | 55,026 | - | 133,531 |
| Over provision of for doubtful accounts | 14,572 | (3,173) | - | 11,399 |
| Others | 290,355 | (72,210) | 247 | 218,392 |
| Tax losses | 122,317 | 77,893 | - | 200,210 |
| | <u>1,346,817</u> | <u>(52,247)</u> | <u>70,731</u> | <u>1,365,301</u> |
| — Deferred tax liabilities: | | | | |
| Investment income from foreign investments | \$ 848,004 | \$ 63,076 | \$ - | \$ 911,080 |
| Land value incremental reserve | 1,050,369 | (582) | - | 1,049,787 |
| Trademark right | 282,157 | (2,277) | - | 279,880 |
| Others | 220,222 | 78,993 | - | 299,215 |
| | <u>2,400,752</u> | <u>139,210</u> | <u>-</u> | <u>2,539,962</u> |
| | <u>(\$ 1,053,935)</u> | <u>(\$ 191,457)</u> | <u>\$ 70,731</u> | <u>(\$ 1,174,661)</u> |

| For the year ended December 31, 2019 | | | | | |
|---|-----------------------|------------------------------------|---|--|-----------------------|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | Effect of decrease in consolidated entities | December 31 |
| Temporary differences | | | | | |
| — Deferred tax assets: | | | | | |
| Impairment loss | \$ 106,505 | (\$ 9,726) | \$ - | \$ - | \$ 96,779 |
| Currency translation differences | 275,506 | - | 25,774 | - | 301,280 |
| Difference resulting from different useful lives of property, plant and equipment between financial and tax basis | 60,508 | (14,686) | - | - | 45,822 |
| Unrealized expenses | 319,958 | 42,149 | - | - | 362,107 |
| Permanent loss on investments | 35,080 | - | - | - | 35,080 |
| Loss on inventory | 83,257 | (4,752) | - | - | 78,505 |
| Over provision of for doubtful accounts | 16,287 | (1,715) | - | - | 14,572 |
| Others | 231,632 | 58,628 | 95 | - | 290,355 |
| Tax losses | 122,010 | 1,781 | - | (1,474) | 122,317 |
| | <u>1,250,743</u> | <u>71,679</u> | <u>25,869</u> | <u>(1,474)</u> | <u>1,346,817</u> |
| — Deferred tax liabilities: | | | | | |
| Investment income from foreign investments | 706,911 | 141,093 | - | \$ - | 848,004 |
| Land value incremental reserve | 1,050,369 | - | - | - | 1,050,369 |
| Trademark right | 295,681 | (13,524) | - | - | 282,157 |
| Others | 201,115 | 19,107 | - | - | 220,222 |
| | <u>2,254,076</u> | <u>146,676</u> | <u>-</u> | <u>-</u> | <u>2,400,752</u> |
| | <u>(\$ 1,003,333)</u> | <u>(\$ 74,997)</u> | <u>\$ 25,869</u> | <u>(\$ 1,474)</u> | <u>(\$ 1,053,935)</u> |

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

| December 31, 2020 | | | | |
|-------------------|---------------------------|---------------------|--|----------------------|
| Year incurred | Amount filed/ assessed | Unused amount | Unrecognized deferred tax assets | Usable until year |
| 2011 | Amount assessed | \$ 225,506 | \$ 225,506 | 2021 |
| 2012 | Amount assessed | 264,854 | 264,854 | 2022 |
| 2013 | Amount assessed | 140,434 | 140,434 | 2023 |
| 2014 | Amount assessed | 135,719 | 135,719 | 2024 |
| 2015 | Amount assessed | 303,257 | 111,603 | 2025 |
| 2016 | Amount assessed | 142,156 | 42,887 | 2026 |
| 2017 | Amount assessed | 228,084 | 111,444 | 2027 |
| 2018 | Amount filed | 127,569 | 47,886 | 2028 |
| 2019 | Amount filed | 199,284 | 107,062 | 2029 |
| 2020 | Amount filed | <u>128,764</u> | <u>125,051</u> | 2030 |
| | | <u>\$ 1,895,627</u> | <u>\$ 1,312,446</u> | |
| December 31, 2019 | | | | |
| Year incurred | Amount filed/ assessed | Unused amount | Unrecognized deferred tax assets | Usable until year |
| 2010 | Amount assessed | \$ 492,459 | \$ 492,380 | 2020 |
| 2011 | Amount assessed | 225,506 | 225,506 | 2021 |
| 2012 | Amount assessed | 264,854 | 264,854 | 2022 |
| 2013 | Amount assessed | 140,434 | 140,434 | 2023 |
| 2014 | Amount filed | 156,948 | 156,948 | 2024 |
| 2015 | Amount filed | 337,848 | 143,727 | 2025 |
| 2016 | Amount filed | 178,564 | 178,564 | 2026 |
| 2017 | Amount filed | 243,987 | 243,987 | 2027 |
| 2018 | Amount filed | 99,953 | 99,953 | 2028 |
| 2019 | Amount filed | <u>160,647</u> | <u>160,647</u> | 2029 |
| | | <u>\$ 2,301,200</u> | <u>\$ 2,107,000</u> | |

E. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

| | December 31, 2020 | December 31, 2019 |
|----------------------------------|---------------------|---------------------|
| Deductible temporary differences | <u>\$ 1,570,422</u> | <u>\$ 1,548,165</u> |

F. As of December 31, 2020, the Company and its subsidiaries' income tax returns through various years between 2017 and 2019, respectively, have been assessed and approved by the Tax Authority.

(31) Earnings per share

| | For the year ended December 31, 2020 | | |
|---|--------------------------------------|--|------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (in thousands) | Earnings per share (in dollars) |
| <u>Basic (Diluted) earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | <u>\$ 3,511,358</u> | <u>1,939,447</u> | <u>\$ 1.81</u> |

Note: The earnings per share were \$1.78 (in dollars) given the shares of the Company held by the subsidiary, which were deemed as treasury shares, were excluded from the weighted average number of ordinary shares outstanding.

| | For the year ended December 31, 2019 | | |
|---|--------------------------------------|--|------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (in thousands) | Earnings per share (in dollars) |
| <u>Basic (Diluted) earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | <u>\$ 3,221,717</u> | <u>1,949,947</u> | <u>\$ 1.65</u> |

Note: The earnings per share were \$1.63 (in dollars) given the shares of the Company held by the subsidiary, which were deemed as treasury shares, were excluded from the weighted average number of ordinary shares outstanding.

(32) Supplemental cash flow information

A. Investing activities with partial cash payments:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|--|---|---|
| Acquisition of property, plant and equipment | \$ 789,629 | \$ 926,988 |
| Add: | | |
| Payables at beginning of the year | 75,414 | 181,192 |
| Less: | | |
| Payables at end of the year | (197,130) | (75,414) |
| Cash paid | <u>\$ 667,913</u> | <u>\$ 1,032,766</u> |

B. Tecom International Investment Co., Ltd. disposed its subsidiary - WondaLink Inc in November 2019 and assets and liabilities relating to the subsidiary are as follows:

| | <u>November 25, 2018</u> |
|---|--------------------------|
| Consideration received | |
| Cash | \$ 13,808 |
| Equity instruments | <u>-</u> |
| Total consideration | <u>13,808</u> |
| The carrying amounts of assets and liabilities of the subsidiary - WondaLink Inc. | |
| Cash | \$ 3,868 |
| Notes receivable | 1,786 |
| Accounts receivable | 981 |
| Inventories | 41,772 |
| Prepayments | 2,668 |
| Other current assets | 5,619 |
| Property, plant and equipment | 874 |
| Other non-current assets | 230 |
| Accounts payable | (28,131) |
| Other payables | (47,301) |
| Other current liabilities | (71) |
| Deferred tax assets | (79) |
| Total identifiable net assets | (17,784) |
| Less: Share of non-controlling interests | (5,678) |
| Add: Derecognition of capital surplus from investment in subsidiary | <u>157</u> |
| Gain on disposal of investments | <u>\$ 26,071</u> |

(33) Changes in liabilities from financing activities

| | Short-term borrowings | Dividends payable (Note 1) | Bonds payable (Note 2) | Long-term borrowings (Note 2) | Lease liabilities | Liabilities from financing activities - gross |
|--|-----------------------|----------------------------|------------------------|-------------------------------|---------------------|---|
| January 1, 2020 | \$ 1,857,637 | \$ 25,612 | \$ 4,000,000 | \$ 7,084,752 | \$ 5,219,092 | \$ 18,187,093 |
| Interest expenses on lease liabilities | - | - | - | - | 83,862 | 83,862 |
| Recognised in right-of-use assets | - | - | - | - | 63,742 | 63,742 |
| Remeasurement | - | - | - | - | 8,603 | 8,603 |
| Changes in cash flow from financing activities | 959,195 | (456) | 2,000,000 | (3,473,021) | (523,774) | (1,038,056) |
| Effect of foreign exchange | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>35,248</u> | <u>35,248</u> |
| December 31, 2020 | <u>\$ 2,816,832</u> | <u>\$ 25,156</u> | <u>\$ 6,000,000</u> | <u>\$ 3,611,731</u> | <u>\$ 4,886,773</u> | <u>\$ 17,340,492</u> |

| | Short-term borrowings | Dividends payable (Note 1) | Bonds payable (Note 2) | Long-term borrowings (Note 2) | Lease liabilities | Liabilities from financing activities - gross |
|---|--------------------------|----------------------------------|------------------------------|-------------------------------------|----------------------|---|
| January 1, 2019 | \$ 1,994,360 | \$ 25,711 | \$ 4,000,000 | \$ 7,650,846 | \$ - | \$ 13,670,917 |
| Effect of retrospective application | - | - | - | - | 5,367,109 | 5,367,109 |
| Interest expenses on lease liabilities | - | - | - | - | 91,709 | 91,709 |
| Recognised in right -of-use assets | - | - | - | - | 293,543 | 293,543 |
| Changes in cash flow from financing activities | (136,723) | (99) | - | (566,094) | (553,993) | (1,256,909) |
| Effect of foreign exchange | - | - | - | - | 20,724 | 20,724 |
| December 31, 2019 | <u>\$ 1,857,637</u> | <u>\$ 25,612</u> | <u>\$ 4,000,000</u> | <u>\$ 7,084,752</u> | <u>\$ 5,219,092</u> | <u>\$ 18,187,093</u> |

Note 1: Shown as 'other payables'.

Note 2: Including the portion shown as '2320 long-term liabilities, current portion'.

(34) Details of significant non-controlling interests

A. As of December 31, 2020 and 2019, the non-controlling interest amounted to \$5,796,937 and \$4,998,286, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

| | Principal place of business | Non-controlling interest | | | |
|--|-----------------------------------|--------------------------|-----------|-------------------|-----------|
| | | December 31, 2020 | | December 31, 2019 | |
| Name of subsidiary | | Amount | Ownership | Amount | Ownership |
| Tecom Co., Ltd. and subsidiaries | R.O.C | \$ 297,607 | 36.48% | \$ 351,444 | 36.48% |
| Taiwan Pelican Express Co., Ltd. and subsidiaries | R.O.C | 1,356,851 | 67.85% | 1,173,296 | 67.85% |
| Century Development Corporation and subsidiaries | R.O.C | 2,653,596 | 47.25% | 2,004,888 | 46.31% |
| Information Technology Total Services Co., Ltd. and subsidiaries | R.O.C | 270,760 | 50.99% | 268,520 | 50.99% |

B. The Group's subsidiary - Information Technology Total Services Co., Ltd. raised additional capital amounting to \$147,444 by issuing 5,084 thousand common shares through private placement at an issuance price of \$29 (in dollars) per share with the effective date set on May 15, 2019. Additionally, the subsidiary received the proceeds, less any necessary issuance costs, of \$79,342 from issuing 1,902 thousand common shares with the effective date set on December 24, 2019. The aggregate capital increase raised by the subsidiary during the year ended December 31, 2019 resulted in an increase in the Group's non-controlling interest by \$226,786.

C. The Group's subsidiary - Century Biotech Development Corp. increased its cash capital amounting to \$1,800,000 with the effective date set on March 31, 2020. The Group did not acquire shares proportionally to its interest. The transactions with non-controlling interest resulted in an increase in capital surplus by \$9,789 and the increase in capital contributed by non-controlling interest was \$700,000.

D. Summarized financial information of the subsidiaries:

Balance sheets

| Tecom Co., Ltd. and subsidiaries | | |
|--|---------------------|---------------------|
| | December 31, 2020 | December 31, 2019 |
| Current assets | \$ 916,013 | \$ 1,121,509 |
| Non-current assets | 986,877 | 1,109,649 |
| Current liabilities | (863,084) | (1,013,097) |
| Non-current liabilities | (560,811) | (604,596) |
| Total net assets | <u>\$ 478,995</u> | <u>\$ 613,465</u> |
| Taiwan Pelican Express Co., Ltd. and subsidiaries | | |
| | December 31, 2020 | December 31, 2019 |
| Current assets | \$ 1,715,232 | \$ 1,749,165 |
| Non-current assets | 2,125,175 | 1,830,120 |
| Current liabilities | (966,119) | (871,696) |
| Non-current liabilities | (890,016) | (978,339) |
| Total net assets | <u>\$ 1,984,272</u> | <u>\$ 1,729,250</u> |
| Century Development Corporation and subsidiaries | | |
| | December 31, 2020 | December 31, 2019 |
| Current assets | \$ 2,140,653 | \$ 1,005,500 |
| Non-current assets | 7,799,434 | 7,693,801 |
| Current liabilities | (737,816) | (696,540) |
| Non-current liabilities | (2,892,825) | (2,955,297) |
| Total net assets | <u>\$ 6,309,446</u> | <u>\$ 5,047,464</u> |
| Information Technology Total Services Co., Ltd. and subsidiaries | | |
| | December 31, 2020 | December 31, 2019 |
| Current assets | \$ 680,547 | \$ 635,761 |
| Non-current assets | 263,195 | 311,364 |
| Current liabilities | (399,604) | (229,859) |
| Non-current liabilities | (13,118) | (195,782) |
| Total net assets | <u>\$ 531,020</u> | <u>\$ 521,484</u> |

Statements of comprehensive income

| Tecom Co., Ltd. and subsidiaries | | |
|--|---|---|
| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
| Revenue | \$ 1,075,547 | \$ 1,563,994 |
| Loss before income tax | (32,529) | (112,474) |
| Income tax expense | (2,172) | (3,439) |
| Loss for the year | (34,701) | (115,913) |
| Other comprehensive (loss) income (net of tax) | (86,521) | 127,266 |
| Total comprehensive (loss) income for the year | (\$ 121,222) | \$ 11,353 |
| Comprehensive (loss) income attributable to non-controlling interest | (\$ 51,042) | \$ 3,745 |
| Taiwan Pelican Express Co., Ltd. and subsidiaries | | |
| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
| Revenue | \$ 3,983,309 | \$ 3,712,520 |
| Profit before income tax | 257,623 | 201,826 |
| Income tax expense | (48,608) | (40,218) |
| Profit for the year | 209,015 | 161,608 |
| Other comprehensive income (net of tax) | 160,567 | 45,113 |
| Total comprehensive income for the year | \$ 369,582 | \$ 206,721 |
| Comprehensive income attributable to non-controlling interest | \$ 144,484 | \$ 109,646 |
| Dividends paid to non- controlling interests | \$ 77,729 | \$ 38,865 |

| Century Development Corporation and subsidiaries | | |
|---|---|---|
| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
| Revenue | \$ 859,706 | \$ 1,002,223 |
| Profit before income tax | 124,447 | 266,488 |
| Income tax expense | (61,248) | (68,916) |
| Profit for the year | 63,199 | 197,572 |
| Other comprehensive loss (net of tax) | (59,577) | (37,261) |
| Total comprehensive income for the year | \$ 3,622 | \$ 160,311 |
| Comprehensive income attributable to non-controlling interest | \$ 38,806 | \$ 115,991 |
| Dividends paid to non- controlling interests | \$ 33,161 | \$ 31,763 |
| Information Technology Total Services Co., Ltd. and subsidiaries | | |
| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
| Revenue | \$ 1,230,637 | \$ 1,227,636 |
| Profit before income tax | 75,056 | 70,715 |
| Income tax expense | (9,276) | (10,317) |
| Profit for the year | 65,780 | 60,398 |
| Other comprehensive loss (net of tax) | (1,597) | (1,608) |
| Total comprehensive income for the year | \$ 64,183 | \$ 58,790 |
| Comprehensive income attributable to non-controlling interest | \$ 33,540 | \$ 27,097 |
| Dividends paid to non- controlling interests | \$ 27,864 | \$ 18,834 |

Statements of cash flows

| | | Tecom Co., Ltd. and subsidiaries | |
|--|----|---|---|
| | | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
| Net cash provided by (used in) operating activities | \$ | 44,277 | (\$ 142,847) |
| Net cash provided by investing activities | | 879 | 84,306 |
| Net cash (used in) provided by financing activities | (| 141,139) | 68,413 |
| (Decrease) increase in cash and cash equivalents | (| 95,983) | 9,872 |
| Cash and cash equivalents, beginning of year | | 191,761 | 181,889 |
| Cash and cash equivalents, end of year | \$ | 95,778 | \$ 191,761 |
| | | Taiwan Pelican Express Co., Ltd. and subsidiaries | |
| | | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
| Net cash provided by operating activities | \$ | 475,662 | \$ 473,087 |
| Net cash used in investing activities | (| 371,577) | (98,466) |
| Net cash used in financing activities | (| 261,031) | (205,973) |
| Effect of exchange rates on cash and cash equivalents | (| 576) | (89) |
| (Decrease) increase in cash and cash equivalents | (| 157,522) | 168,559 |
| Cash and cash equivalents, beginning of year | | 1,056,827 | 888,268 |
| Cash and cash equivalents, end of year | \$ | 899,305 | \$ 1,056,827 |

| Century Development Corporation and subsidiaries | | |
|--|--------------------|--------------------|
| | For the year ended | For the year ended |
| | December 31, 2020 | December 31, 2019 |
| Net cash provided by operating activities | \$ 698,625 | \$ 376,128 |
| Net cash used in investing activities | (1,887,212) | (65,843) |
| Net cash provided by (used in) financing activities | 868,090 | (297,691) |
| Effect of exchange rates on cash and cash equivalents | (3,991) | (8,166) |
| (Decrease) increase in cash and cash equivalents | (324,488) | 4,428 |
| Cash and cash equivalents, beginning of year | 555,324 | 550,896 |
| Cash and cash equivalents, end of year | <u>\$ 230,836</u> | <u>\$ 555,324</u> |
| Information Technology Total Services Co., Ltd. and subsidiaries | | |
| | For the year ended | For the year ended |
| | December 31, 2020 | December 31, 2019 |
| Net cash provided by (used in) operating activities | \$ 244,830 | (\$ 23,816) |
| Net cash provided by (used in) investing activities | 24,459 | (15,145) |
| Net cash used in financing activities | (254,067) | (45,004) |
| Effect of exchange rates on cash and cash equivalents | 178 | (786) |
| Increase (decrease) in cash and cash equivalents | 15,400 | (84,751) |
| Cash and cash equivalents, beginning of year | 70,474 | 155,225 |
| Cash and cash equivalents, end of year | <u>\$ 85,874</u> | <u>\$ 70,474</u> |

7. Related Party Transactions

(1) Names of related parties and relationship with the Group

| Names of related parties | Relationship with the Group | Names of related parties | Relationship with the Group |
|---|-----------------------------|--|-----------------------------|
| Teco Middle East Electrical & Machinery Co., Ltd. (TME) | Associates | Xianlaoman Food Services Co., Ltd. (Xianlaoman) | Associates |
| Teco (PHILIPPINES) 3C & Appliances, Inc. (Teco 3C) | " | Teco Group Science Technology (Han Zou) Co., Ltd. (Teco Group) | " |
| Jiangxi Teco - Lead PM Generator (Jiangxi Teco - Lead) (Note 1) | " | Shanghai Tungpei Enterprise Co., Ltd. (Shanghai Tungpei) | " |
| Taian-Jaya Electric Sdn. Bhd. (Taian-Jaya) | " | Greyback International Property, Inc. (Greyback) | " |
| Hubbell-Taian Co., Ltd. (Hubbell) (Note 2) | " | ABC Cooking Studio Taiwan Co., Ltd. | " |
| An-Sheng Travel Co., Ltd. | " | Qingdao Teco Century Advanced HighTech Mechatronics Co., Ltd. (Teco Century) | " |
| Le-Li Co., Ltd. (Le-Li) | " | Teco EV Philippines Corporation (Teco EV) | " |
| Lien Chang Electronic Enterprise Co., Ltd. (Lien Chang) | " | Fujio Food System Taiwan Co., Ltd. (Fujio Food) | " |
| Tung Pei Industrial Co., Ltd. (Tung Pei) | " | Foremost International Food & Beverage Co., Ltd. (Foremost Food) | " |
| Taian Electric Co., Ltd. (Taian Electric) | " | Teco Technology & Marketing Center Co., Ltd. (TTMC) | " |
| Royal Host Taiwan Co., Ltd. (Royal Host) | " | Hunan TECO Wind Energy Limited (Hunan TECO) (Note 3) | " |
| Taisan Electric Co., Ltd. (Taisan Electric) | " | An-shin Food Service Co., Ltd. (An-shin) | Other related parties |
| Tension Envelope Taiwan Co., Ltd. (Tension) | " | Teco Image System Co., Ltd. (Teco Image) | " |
| Creative Sensor Inc. (Creative Senso) | " | Ming Full Ltd. (Ming Full) | " |
| Kogle Foods Co., Ltd. (Kogle) | " | Taiwan Art & Business Interdisciplinary Foundation (Taiwan Art) | " |
| TG Teco Vacuum Insulated Glass (TG Teco Vacuum Insulated Glass) | " | Xia Men An-Shin Food Management Co., Ltd. (Xia Men An-Shin) | " |
| Teco-Motech Co., Ltd. (Teco-Motech) | " | Teco Technology Foundation (Teco Found) | " |
| Kuen Ling Co., Ltd. (Kuen Ling) | " | Koryo Electronics Co., Ltd. (Koryo) | " |
| Shanghai Xiangseng Mechanical and Electrical Trading Co., Ltd. (Shanghai Xiangseng) | " | YUBAN & COMPANY | " |

Note 1: The investee has been liquidated in 2019.

Note 2: The investee was dissolved on April 14, 2020.

Note 3: The investee has been liquidated in 2020.

(2) Significant related party transactions

A. Operating revenue:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|------------------------------|---|---|
| Sales of goods and services: | | |
| Associates | \$ 408,599 | \$ 391,617 |
| Other related parties | <u>331,969</u> | <u>329,885</u> |
| | <u>\$ 740,568</u> | <u>\$ 721,502</u> |

The Group sells commodities and services to related parties based on mutually agreed selling price and terms as there is no similar transaction to be compared with.

B. Purchases of goods:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|-----------------------|---|---|
| Purchases of goods: | | |
| Associates | \$ 277,759 | \$ 324,324 |
| Other related parties | <u>25,098</u> | <u>19,783</u> |
| | <u>\$ 302,857</u> | <u>\$ 344,107</u> |

The purchase terms, including pricing and payments, were based on mutual agreement and have no similar transaction to be compared with.

C. Receivables from related parties:

| | December 31, 2020 | December 31, 2019 |
|--|-------------------|-------------------|
| Receivables from related parties: | | |
| Associates | \$ 192,528 | \$ 185,931 |
| Other related parties | 55,675 | 53,432 |
| Less: Reclassified to other receivables | <u>-</u> | <u>(5,613)</u> |
| | <u>248,203</u> | <u>233,750</u> |
| Other receivables - transfer of accounts receivable that were past due | | |
| Associates | <u>-</u> | <u>5,613</u> |
| Other receivables - others | | |
| Associates | | |
| TTMC | 50,924 | 50,798 |
| Le-Li | 15,413 | 14,655 |
| Others | 3,061 | 5,051 |
| Other related parties | <u>3,062</u> | <u>5,252</u> |
| | <u>72,460</u> | <u>75,756</u> |
| | <u>72,460</u> | <u>81,369</u> |
| | <u>\$ 320,663</u> | <u>\$ 315,119</u> |

(a) The receivables from related parties arise mainly from sale transactions. The receivables are due 30 to 90 days after the date of sale, unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

(b) The aforementioned accounts receivable that were past due were \$5,613 as of December 31, 2019. The ageing of the past due accounts receivable is beyond 90 days.

(c) The other receivables arise mainly from other receivables for rental.

D. Payables to related parties:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|------------------------------|--------------------------|--------------------------|
| Payables to related parties: | | |
| Associates | \$ 163,755 | \$ 206,449 |
| Other related parties | <u>4,348</u> | <u>3,296</u> |
| | <u>\$ 168,103</u> | <u>\$ 209,745</u> |

The payables to related parties arise mainly from purchase transactions and are due 180 days after the date of purchase. The payables bear no interest.

E. Property transactions

On July 25, 2019, the Group's subsidiary, United View Global Investment Co., Ltd, and Tong-An Investment Co., Ltd. sold 100% ownership in the Group's subsidiary, Tecoson Industrial Development (Pte) Ltd., to YUBAN & COMPANY. The proceeds of disposal amounted to \$5,076 and the loss on disposal amounted to \$3,917. After the disposal, the company is no longer included in the Group's consolidated financial statements.

F. Rent income

| | <u>For the year ended December 31, 2020</u> | <u>For the year ended December 31, 2019</u> |
|-----------------------|---|---|
| Associates | \$ 20,798 | \$ 30,082 |
| Other related parties | <u>25,930</u> | <u>26,249</u> |
| | <u>\$ 46,728</u> | <u>\$ 56,331</u> |

The Group leases offices from the related parties. Rent was determined based on rental terms by reference to market prices and collected within the mutually agreed terms.

G. Endorsements and guarantees provided to related parties:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|------------|--------------------------|--------------------------|
| Associates | \$ 175 | \$ 43,477 |

(3) Key management compensation

| | <u>For the year ended December 31, 2020</u> | <u>For the year ended December 31, 2019</u> |
|--|---|---|
| Salaries and other short-term employee benefits | \$ 499,112 | \$ 486,990 |
| Post-employment benefits | <u>9,284</u> | <u>6,392</u> |
| | <u>\$ 508,396</u> | <u>\$ 493,382</u> |

8. Pledged Assets

| Pledged asset | December 31, 2020 | December 31, 2019 | Purpose |
|---|---------------------|---------------------|---|
| Notes receivable | \$ 80,554 | \$ 344,369 | Short-term borrowings and deposits for acceptance bill |
| Other current assets | | | |
| Demand deposits | 251,525 | 176,735 | Short-term borrowings, deposits for renting warehouses, deposits for acceptance bill, provisional seizure guarantee of compensation, exercise guarantee for construction, warranty margin, engineering bond, tariff guarantees, merchandise loans and seizure guarantee |
| Demand deposits | 905,290 | - | Earmarked construction projects |
| Time deposits | 234,505 | 263,477 | Engineering bond, merchandise loans, tariff guarantees, long-term and short-term borrowings, engineering guarantees, customs security deposit, warranty margin, exercise guarantee for construction and quality assurance for product sales |
| Financial assets at fair value through other comprehensive income - non-current | | | |
| Far Eastone Telecommunications Co., Ltd. | - | 216,300 | Short-term borrowings and commercial papers payable |
| Taiwan High Speed Rail Corporation | 427,950 | 460,800 | Long-term borrowings |
| Non-current financial assets at amortised cost | 160,000 | 150,000 | Performance guarantee |
| Property, plant, and equipment | | | |
| Land | 101,247 | 110,299 | Long-term borrowings, short-term borrowings |
| Buildings and structures | 3,078,259 | 3,287,115 | " |
| Machinery and equipment | 158,400 | - | " |
| Right-of-use assets | 3,032,127 | 3,011,533 | " |
| Other non-current assets | | | |
| Refundable deposits | 25,749 | 26,155 | Exercise guarantee or warranty for construction and exercise guarantee for tender |
| Time deposits | 169,411 | - | Restricted by the legislation on the returning capital |
| Treasury stock | - | 247,091 | Short-term borrowings |
| | <u>\$ 8,625,017</u> | <u>\$ 8,293,874</u> | |

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

| | December 31, 2020 | December 31, 2019 |
|-------------------------------|---------------------|---------------------|
| Property, plant and equipment | \$ 3,308,110 | \$ 1,769,644 |
| Intangible assets | 1,521 | 1,443 |
| | <u>\$ 3,309,631</u> | <u>\$ 1,771,087</u> |

B. As of December 31, 2020, the outstanding usance L/C used for acquiring raw materials and equipment was \$747,667.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

A. To enhance competitiveness and develop the next generation of smart electricity grid, smart manufacturing and renewable energy industry, the Company strategically cooperated with Walsin Lihwa Corporation through a share exchange as approved by the Board of Directors on November 20, 2020. The conversion ratio is 1 share of the Walsin Lihwa Corporation's common share converted to 0.8333 share of the Company, and the Company additionally issued 171,103,730 shares of common shares to exchange 205,332,690 shares of Walsin Lihwa Corporation's common shares. The effective date for the share exchange was set on January 6, 2021, and the registration for the share exchange was completed on January 14, 2021. The Company's paid-in capital was \$21,387,966 after the conversion.

B. The Company won the bid to contract New eID project from the Central Engraving and Printing Plant in the amount of \$3,289,928 for the year ended December 31, 2020. On January 27, 2021, the Company received the notification from the Central Engraving and Printing Plant for discontinuing the project due to the Ministry of the Interior's tentative postponement of New eID project. The Company is currently discussing the countermeasures for those purchased equipment, material and the receivables of those delivered ID cards.

12. Others

(1) Capital management

The Group's objectives when managing capital are based on the industrial scale, considering industrial future growth and product development, and setting appropriate market share, as well as plan of corresponding capital expenditure, calculation of operating capital needed for financial operations, and considering operating profit and cash inflows arising from product competitiveness, to determine appropriate capital structure.

(2) Financial instruments

A. Financial instruments by category

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| <u>Financial assets</u> | | |
| Financial assets at fair value through profit or loss | | |
| Financial assets mandatorily measured at fair value through profit or loss | <u>\$ 3,574,457</u> | <u>\$ 2,418,162</u> |
| Financial assets at fair value through other comprehensive income | | |
| Designation of equity instrument | <u>\$ 19,848,014</u> | <u>\$ 15,538,746</u> |
| Financial assets at amortised cost /Loans and receivables | | |
| Cash and cash equivalents | \$ 20,397,260 | \$ 19,111,371 |
| Financial assets at amortised cost | 481,530 | 377,256 |
| Notes receivable | 1,184,902 | 1,120,188 |
| Accounts receivable | 9,103,336 | 9,012,340 |
| Other receivables | 354,645 | 579,246 |
| Guarantee deposits paid and restricted bank deposits | <u>1,796,782</u> | <u>745,983</u> |
| | <u>\$ 33,318,455</u> | <u>\$ 30,946,384</u> |
| <u>Financial liabilities</u> | | |
| Financial liabilities at fair value through profit or loss | | |
| Financial liabilities held for trading | <u>\$ -</u> | <u>\$ 50</u> |
| Financial liabilities at amortised cost | | |
| Short-term borrowings | \$ 2,816,832 | \$ 1,857,637 |
| Notes payable | 395,720 | 365,837 |
| Accounts payable | 7,622,923 | 6,912,441 |
| Other payables | 4,902,975 | 4,676,588 |
| Lease liabilities | 4,886,773 | 5,219,092 |
| Bonds payable (including current portion) | 6,000,000 | 4,000,000 |
| Long-term borrowings (including current portion) | <u>3,611,731</u> | <u>7,084,752</u> |
| | <u>\$ 30,236,954</u> | <u>\$ 30,116,347</u> |

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Notes 6(2) and 6(15).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from recognized assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and (15).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2020

| Sensitivity Analysis | | | | | | | | | | | |
|---|-----|--|-------------|---------------|------------------|---------------------|-----------------------------|----|--|----|---|
| | | Foreign currency amount (In thousands) | | Exchange rate | Book value (NTD) | Degree of variation | Effect on profit or loss | | Effect on other comprehensive income | | |
| (Foreign currency: functional currency) | | | | | | | | | | | |
| <u>Financial assets</u> | | | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | | | |
| USD:NTD | USD | \$ | 97,365 | 28.4800 | \$ | 2,772,955 | 1% | \$ | 27,730 | \$ | - |
| EUR:NTD | EUR | | 5,268 | 35.0200 | | 184,485 | 1% | | 1,845 | | - |
| USD:RMB | USD | | 34,861 | 6.5067 | | 992,841 | 1% | | 9,928 | | - |
| JPY:NTD | JPY | | 892,012 | 0.2763 | | 246,463 | 1% | | 2,465 | | - |
| RMB:NTD | RMB | | 71,509 | 4.3770 | | 312,995 | 1% | | 3,130 | | - |
| AUD:NTD | AUD | | 7,881 | 21.9500 | | 172,988 | 1% | | 1,730 | | - |
| CAD:USD | CAD | | 4,742 | 0.7848 | | 105,984 | 1% | | 1,060 | | - |
| USD:SGD | USD | | 9,474 | 1.3210 | | 269,820 | 1% | | 2,698 | | - |
| USD:EUR | USD | | 10,877 | 0.8132 | | 309,777 | 1% | | 3,098 | | - |
| EUR:USD | EUR | | 14,016 | 1.3659 | | 545,222 | 1% | | 5,452 | | - |
| RMB:USD | RMB | | 29,839 | 0.1537 | | 130,605 | 1% | | 1,306 | | - |
| <u>Non-monetary items</u> | | | | | | | | | | | |
| USD:NTD | USD | | 698,202 | 28.4800 | | 19,884,800 | | | | | |
| EUR:NTD | EUR | | 126,739 | 35.0200 | | 4,438,791 | | | | | |
| SGD:NTD | SGD | | 156,534 | 21.5600 | | 3,374,873 | | | | | |
| VND:NTD | VND | | 252,236,667 | 0.0012 | | 302,684 | | | | | |
| MYR:NTD | MYR | | 7,595 | 6.9934 | | 53,117 | | | | | |
| <u>Financial liabilities</u> | | | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | | | |
| USD:NTD | USD | | 40,159 | 28.4800 | | 1,143,728 | 1% | | 11,437 | | - |
| USD:RMB | USD | | 5,649 | 6.5067 | | 160,884 | 1% | | 1,609 | | - |
| USD:VND | USD | | 3,552 | 23,733.3333 | | 101,161 | 1% | | 1,012 | | - |
| USD:AUD | USD | | 4,590 | 1.2975 | | 130,723 | 1% | | 1,307 | | - |
| USD:MYR | USD | | 4,926 | 4.0724 | | 140,292 | 1% | | 1,403 | | - |
| USD:SGD | USD | | 4,117 | 1.3210 | | 117,252 | 1% | | 1,173 | | - |

December 31, 2019

| Sensitivity Analysis | | | | | | | | | |
|---|-----|--|---------|---------------|------------------|---------------------|-----------------------------|----|--|
| | | Foreign currency amount (In thousands) | | Exchange rate | Book value (NTD) | Degree of variation | Effect on profit or loss | | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | | | | | | |
| <u>Financial assets</u> | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | |
| USD:NTD | USD | \$ | 82,388 | 29.98 | \$ 2,469,992 | 1% | \$ 24,700 | \$ | - |
| EUR:NTD | EUR | | 13,693 | 33.59 | 459,948 | 1% | 4,599 | | - |
| USD:RMB | USD | | 39,912 | 6.9640 | 1,196,562 | 1% | 11,966 | | - |
| JPY:NTD | JPY | | 924,972 | 0.2760 | 255,292 | 1% | 2,553 | | - |
| RMB:NTD | RMB | | 91,800 | 4.3050 | 395,199 | 1% | 3,952 | | - |
| USD:MYR | USD | | 24,272 | 4.0978 | 727,675 | 1% | 7,277 | | - |
| USD:SGD | USD | | 9,308 | 1.3456 | 279,054 | 1% | 2,791 | | - |
| AUD:NTD | AUD | | 5,930 | 21.0050 | 124,560 | 1% | 1,246 | | - |
| CAD:USD | CAD | | 5,065 | 0.7668 | 116,444 | 1% | 1,164 | | - |
| <u>Non-monetary items</u> | | | | | | | | | |
| USD:NTD | USD | | 658,303 | 29.98 | 19,735,935 | | | | |
| EUR:NTD | EUR | | 125,250 | 33.59 | 4,207,132 | | | | |
| SGD:NTD | SGD | | 150,929 | 22.28 | 3,362,698 | | | | |
| VND:NTD | VND | 242,922,038 | | 0.0013 | 315,799 | | | | |
| MYR:NTD | MYR | | 14,387 | 7.3161 | 105,260 | | | | |
| <u>Financial liabilities</u> | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | |
| USD:NTD | USD | | 49,274 | 29.98 | 1,477,235 | 1% | 14,772 | | - |
| USD:RMB | USD | | 4,896 | 6.9640 | 146,782 | 1% | 1,468 | | - |
| USD:MYR | USD | | 22,140 | 4.0978 | 663,757 | 1% | 6,638 | | - |
| USD:SGD | USD | | 3,748 | 1.3456 | 112,365 | 1% | 1,124 | | - |

- v. Total exchange loss including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to \$80,595 and \$39, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares and open-end funds issued by domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 5% with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$178,237 and \$120,896, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$992,401 and \$776,937, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. Group policy is to maintain at least 30% of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. For the years ended December 31, 2020 and 2019, the Group's borrowings at variable rate were mainly denominated in NTD, USD and RMB.
- ii. The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. As at December 31, 2020 and 2019, if interest rates at that date had been 0.25% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have been \$12,857 and \$17,885 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: If the contract payments were past due over 30 days based on the terms, there has been

- a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumption under IFRS 9, whereby the default occurs when the contract payments are past due over 90 days.
 - v. The Group classifies customers' accounts receivable, contract assets and rents receivable in accordance with credit rating of customer and credit risk on trade. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
 - vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
 - vii. The Group uses the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of notes and accounts receivable. As of December 31, 2020 and 2019, the loss rate methodology is as follows:

| December 31, 2020 | | | |
|-------------------|---------------------------|----------------------|---------------------|
| | Expected credit loss rate | Total book value | Loss allowance |
| Not past due | 0%~1% | \$ 8,117,924 | (\$ 8,769) |
| Up to 30 days | 0%~2% | 743,190 | (2,133) |
| 31 to 90 days | 1%~20% | 725,701 | (18,955) |
| 91 to 180 days | 1%~100% | 175,419 | (19,189) |
| Over 180 days | 1%~100% | 456,930 | (130,083) |
| | | <u>\$ 10,219,164</u> | <u>(\$ 179,129)</u> |
| December 31, 2019 | | | |
| | Expected credit loss rate | Total book value | Loss allowance |
| Not past due | 0%~1% | \$ 7,564,979 | (\$ 2,182) |
| Up to 30 days | 0%~2% | 1,098,500 | (1,460) |
| 31 to 90 days | 1%~20% | 676,444 | (18,280) |
| 91 to 180 days | 1%~100% | 149,075 | (5,913) |
| Over 180 days | 1%~100% | 576,206 | (138,591) |
| | | <u>\$ 10,065,204</u> | <u>(\$ 166,426)</u> |

| December 31, 2020 | | | |
|-------------------|---------------------------|----------------------|---------------------|
| | Expected credit loss rate | Total book value | Loss allowance |
| Individual | 100% | \$ 30,636 | (\$ 30,636) |
| Group A | 0%~5% | 5,802,450 | (13,247) |
| Group B | 0%~10% | 1,935,919 | (922) |
| Group C | 1%~20% | 1,293,175 | (20,736) |
| Group D | 1%~40% | 383,106 | (22,865) |
| Group E | 1%~100% | 773,878 | (90,723) |
| | | <u>\$ 10,219,164</u> | <u>(\$ 179,129)</u> |
| December 31, 2019 | | | |
| | Expected credit loss rate | Total book value | Loss allowance |
| Individual | 100% | \$ 34,202 | (\$ 34,202) |
| Group A | 0%~5% | 5,558,080 | (12,037) |
| Group B | 0%~10% | 1,869,342 | (7,655) |
| Group C | 1%~20% | 1,380,494 | (13,620) |
| Group D | 1%~40% | 440,742 | (6,372) |
| Group E | 1%~100% | 782,344 | (92,540) |
| | | <u>\$ 10,065,204</u> | <u>(\$ 166,426)</u> |

- viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for notes receivable and accounts receivable are as follows:

| 2020 | |
|------------------------------|--|
| | Notes receivable and accounts receivable |
| At January 1 | \$ 166,426 |
| Provision for impairment | 26,138 |
| Write-offs during the period | (15,887) |
| Effect of foreign exchange | 2,452 |
| At December 31 | <u>\$ 179,129</u> |
| 2019 | |
| | Notes receivable and accounts receivable |
| At January 1 | \$ 183,347 |
| Provision for impairment | 16,062 |
| Write-offs during the period | (25,315) |
| Effect of foreign exchange | (7,668) |
| At December 31 | <u>\$ 166,426</u> |

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.

- ii. As of December 31, 2020 and 2019, the undrawn credit amounts are \$22,248,893 and \$20,190,686, respectively.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

| <u>December 31, 2020</u> | <u>Up to 1 year</u> | <u>Between 1 and 2 years</u> | <u>Between 2 and 3 years</u> | <u>Between 3 and 5 years</u> | <u>Over 5 years</u> |
|---|---------------------|------------------------------|------------------------------|------------------------------|---------------------|
| Short-term borrowings | \$ 2,816,832 | \$ - | \$ - | \$ - | \$ - |
| Notes payable | 395,720 | - | - | - | - |
| Accounts payable | 7,622,923 | - | - | - | - |
| Lease liabilities | 488,165 | 430,594 | 351,703 | 469,000 | 4,411,961 |
| Other payables | 4,902,975 | - | - | - | - |
| Bonds payable | - | 1,000,000 | - | 5,000,000 | - |
| Long-term borrowings (including current portion) | 1,487,943 | 618,241 | 324,751 | 1,113,978 | 76,056 |

Non-derivative financial liabilities:

| <u>December 31, 2019</u> | <u>Up to 1 year</u> | <u>Between 1 and 2 years</u> | <u>Between 2 and 3 years</u> | <u>Between 3 and 5 years</u> | <u>Over 5 years</u> |
|---|---------------------|------------------------------|------------------------------|------------------------------|---------------------|
| Short-term borrowings | \$ 1,857,637 | \$ - | \$ - | \$ - | \$ - |
| Notes payable | 365,837 | - | - | - | - |
| Accounts payable | 6,912,441 | - | - | - | - |
| Lease liabilities | 487,454 | 436,444 | 490,035 | 630,513 | 4,820,732 |
| Other payables | 4,676,588 | - | - | - | - |
| Bonds payable (including current portion) | 3,000,000 | - | 1,000,000 | - | - |
| Long-term borrowings (including current portion) | 5,159,554 | 1,398,674 | 382,042 | 150,000 | - |

iv. As of December 31, 2020 and 2019, the derivative financial liabilities which were executed by the Group were all due within one year.

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(10).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, beneficiary certificates and others is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in derivative instruments is included in Level 3.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

| <u>December 31, 2020</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------------|-----------------|--------------------|---------------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 2,466,216 | \$ - | \$1,098,519 | \$ 3,564,735 |
| Non-hedging derivatives | - | 9,722 | - | 9,722 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | <u>19,614,727</u> | <u>-</u> | <u>233,287</u> | <u>19,848,014</u> |
| | <u>\$ 22,080,943</u> | <u>\$ 9,722</u> | <u>\$1,331,806</u> | <u>\$23,422,471</u> |

| <u>December 31, 2019</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------------|----------------|---------------------|----------------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 1,409,676 | \$ - | \$ 1,008,250 | \$ 2,417,926 |
| Non-hedging derivatives | - | 236 | - | 236 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | <u>15,299,211</u> | <u>-</u> | <u>239,535</u> | <u>15,538,746</u> |
| | <u>\$ 16,708,887</u> | <u>\$ 236</u> | <u>\$ 1,247,785</u> | <u>\$ 17,956,908</u> |
| Liabilities | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Non-hedging derivatives | <u>\$ -</u> | <u>\$ 50</u> | <u>\$ -</u> | <u>\$ 50</u> |

D. The methods and assumptions the Group used to measure fair value are as follows:

- (a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

| | <u>Listed shares</u> | <u>Open-end fund</u> |
|--|----------------------|----------------------|
| Market quoted price | Closing price | Net asset value |
| (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters). | | |
| (c) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate. | | |
| (d) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions. | | |
| (e) The Group takes into account adjustments for credit risks to measure the fair value of | | |

financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

- E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

| | Non-derivative equity | |
|--|---|---|
| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
| Beginning balance | \$ 1,247,785 | \$ 1,278,674 |
| Gains and losses recognized in profit or loss | 128,918 | 5,576 |
| Gain and loss recognized in other comprehensive income | (16,568) | (15,152) |
| Acquired during the period | - | 57,284 |
| Sold during the period | (21,509) | (73,625) |
| Capital deducted by returning cash | (6,820) | (4,972) |
| Ending balance | <u>\$ 1,331,806</u> | <u>\$ 1,247,785</u> |

- G. Finance and Accounting Department is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the source of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement.

| | Fair value at December 31, 2020 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---------------------------|---------------------------------------|-----------------------------------|--|--------------------------------|--|
| Non-derivative equity: | | | | | |
| Unlisted shares | \$ 1,331,806 | Market comparable companies | Price to earnings ratio multiple | 1.31~5.03 | The higher the multiple, the higher the fair value |
| Private equity fund | | | Discount for lack of marketability | 15%~20% | The higher the discount for lack of marketability, the lower the fair value |

| | Fair value at December 31, 2019 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---------------------------|---------------------------------------|-----------------------------------|--|--------------------------------|--|
| Non-derivative equity: | | | | | |
| Unlisted shares | \$ 1,247,785 | Market comparable companies | Price to earnings ratio multiple | 1.04~3.62 | The higher the multiple, the higher the fair value |
| Private equity fund | | | Discount for lack of marketability | 15%~20% | The higher the discount for lack of marketability, the lower the fair value |

- I. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

| December 31, 2020 | | | | | | |
|----------------------|--|------------------------------|------------------------|---|------------------------|-------------|
| Input | Change | Recognized in profit or loss | | Recognized in other comprehensive income | | |
| | | Favourable change | Unfavourable change | Favourable change | Unfavourable change | |
| Financial assets | | | | | | |
| Equity instrument | Discount for lack of marketability | ±5% | \$ 54,926 | (\$ 54,926) | \$ 11,664 | (\$ 11,664) |

December 31, 2019

| | | | | Recognized in profit or loss | | Recognized in other comprehensive income | |
|-------------------|------------------------------------|--------|-----------|------------------------------|---------------------|--|---------------------|
| | | | | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| | Input | Change | | | | | |
| Financial assets | | | | | | | |
| Equity instrument | Discount for lack of marketability | ±5% | \$ 50,413 | (\$ 50,413) | \$ 11,977 | (\$ 11,977) | |

(4) Other matter

The Group is a multinational corporation and the production and sales in some countries were impacted by the outbreak of the new coronavirus (COVID 19) pandemic in 2020 due to the preventive measures, including the reduction in working days and business activities, taken by the governments of some countries to control the pandemic. The Group continually takes countermeasures by maintaining close contacts with clients and suppliers, strengthening employee health management and continually focusing on the situation of the pandemic to mitigate the impact on its operations.

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- I. Trading in derivative financial instruments undertaken during the reporting periods ended: Please refer to Notes 6(2)(15).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 9.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 10.
- B. Significant transactions, either directly or indirectly through a third party, transactions with the investee companies in Mainland Area: Please refer to table 11.

(4) Major shareholders information

Names, number of shares and ownership of shareholders whose equity interest is greater than 5%: Please refer to table 12.

14. Segment Information

(1) General information

The Group operates and makes decisions on the basis of products and service line, which the Group uses to identify reportable segments.

The Group's reportable segments include motor division and the home appliance division. The motor division primarily engages in the manufacturing and sales of motors and generators. The home appliance division primarily engages in the manufacturing, installation, sales and service of home appliances.

(2) Segment performance

The Group uses the operating income as the basis for segment performance assessment. The operating income excludes non-recurring expenditures, unrealized gain or loss on financial instruments, interest income and interest expense.

(3) Financial information by industry

The segment information of the reportable segments provided to the chief operating decision-maker for the years ended December 31, 2020 and 2019 is as follows:

| | For the year ended December 31, 2020 | | | | |
|---|---------------------------------------|-----------------------------|----------------------|-------------------------------|----------------------|
| | Heavy industrial products division | Home appliances division | Others | Adjustment and elimination | Total |
| <u>Operating revenues</u> | | | | | |
| Operating revenues from external customers | \$ 30,189,481 | \$ 5,570,394 | \$ 10,063,555 | \$ - | \$ 45,823,430 |
| Operating revenues from internal segments | 15,853,218 | 2,793,483 | 1,039,729 | (19,686,430) | - |
| Total operating revenues | <u>\$ 46,042,699</u> | <u>\$ 8,363,877</u> | <u>\$ 11,103,284</u> | <u>(\$ 19,686,430)</u> | <u>\$ 45,823,430</u> |
| Segment profits and losses | <u>\$ 2,328,504</u> | <u>\$ 454,768</u> | <u>\$ 750,785</u> | <u>\$ -</u> | <u>\$ 3,534,057</u> |
| Segment profits and losses including: | | | | | |
| Depreciation and amortization | <u>\$ 1,193,385</u> | <u>\$ 226,437</u> | <u>\$ 585,689</u> | <u>\$ -</u> | <u>\$ 2,005,511</u> |
| Not included in segment profit, but regularly provided to the chief operating decision-maker: | | | | | |
| <u>Segment assets</u> | | | | | |
| Identifiable assets | <u>\$ 35,242,778</u> | <u>\$ 3,511,433</u> | <u>\$ 23,381,138</u> | <u>(\$ 6,035,485)</u> | <u>\$ 56,099,864</u> |
| Capital expenditures | <u>\$ 538,611</u> | <u>\$ 33,494</u> | <u>\$ 217,524</u> | <u>\$ -</u> | <u>\$ 789,629</u> |
| <u>Segment liabilities</u> | <u>\$ 17,121,083</u> | <u>\$ 1,966,283</u> | <u>\$ 9,541,519</u> | <u>(\$ 6,033,684)</u> | <u>\$ 22,595,201</u> |

| | For the year ended December 31, 2019 | | | | |
|---|---------------------------------------|----------------------------|----------------------|-------------------------------|----------------------|
| | Heavy industrial products division | Home appliance division | Others | Adjustment and elimination | Total |
| <u>Operating revenues</u> | | | | | |
| Operating revenues from external customers | \$ 32,754,241 | \$ 5,314,188 | \$ 9,840,929 | \$ - | \$ 47,909,358 |
| Operating revenues from internal segments | <u>17,452,941</u> | <u>2,718,653</u> | <u>993,581</u> | (<u>21,165,175</u>) | <u>-</u> |
| Total operating revenues | <u>\$ 50,207,182</u> | <u>\$ 8,032,841</u> | <u>\$ 10,834,510</u> | <u>(\$ 21,165,175)</u> | <u>\$ 47,909,358</u> |
| Segment profits and losses | <u>\$ 2,867,678</u> | <u>\$ 195,028</u> | <u>\$ 473,739</u> | <u>\$ -</u> | <u>\$ 3,536,445</u> |
| Segment profits and losses including: | | | | | |
| Depreciation and amortization | <u>\$ 1,135,839</u> | <u>\$ 198,613</u> | <u>\$ 605,347</u> | <u>\$ -</u> | <u>\$ 1,939,799</u> |
| Not included in segment profit, but regularly provided to the chief operating decision-maker: | | | | | |
| <u>Segment assets</u> | | | | | |
| Identifiable assets | <u>\$ 37,240,602</u> | <u>\$ 3,446,166</u> | <u>\$ 22,494,606</u> | <u>(\$ 6,776,638)</u> | <u>\$ 56,404,736</u> |
| Capital expenditures | <u>\$ 785,748</u> | <u>\$ 43,212</u> | <u>\$ 98,028</u> | <u>\$ -</u> | <u>\$ 926,988</u> |
| <u>Segment liabilities</u> | <u>\$ 16,956,780</u> | <u>\$ 1,884,667</u> | <u>\$ 9,397,716</u> | <u>(\$ 6,776,811)</u> | <u>\$ 21,462,352</u> |

(4) Reconciliation for segment profit (loss)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2020 and 2019 is provided as follows:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|---|---|---|
| Adjusted operating income of reportable segments | \$ 2,882,724 | \$ 3,062,706 |
| Adjusted operating income of other operating segments | 651,333 | 473,739 |
| Interest income | 194,926 | 316,546 |
| Gains on financial instruments | 420,731 | 93,193 |
| Financial cost | (241,495) | (263,848) |
| Associates' and joint ventures' profit and loss accounted for under the equity method | (14,613) | 30,410 |
| Losses on disposals of property, plant and equipment | (38,447) | (22,635) |
| Impairment loss | (77,950) | - |
| Others | 622,539 | 749,343 |
| Income before income tax | <u>\$ 4,399,748</u> | <u>\$ 4,439,454</u> |

The total assets amount reported to the chief operating decision-maker is measured in a manner consistent with that in the financial statements.

Equity investments (classified as investments accounted for under equity method, financial assets at fair value through profit or loss and Financial asset measured at fair value through other comprehensive income) held by the Group are not considered to be segment assets but rather are managed by the financial function.

A reconciliation of assets of reportable segment and total assets is as follows:

| | December 31, 2020 | December 31, 2019 |
|---|-----------------------|----------------------|
| Assets of reportable segments | \$ 33,642,373 | \$ 34,714,946 |
| Assets of other operating segments | 22,457,491 | 21,689,790 |
| Unamortized items: | | |
| Deferred income tax assets | 1,365,301 | 1,346,817 |
| Investments accounted for using equity method | 3,912,645 | 3,897,316 |
| Financial assets at fair value through profit or loss | 3,574,457 | 2,418,162 |
| Financial asset measured at fair value through other comprehensive income | 19,848,014 | 15,538,746 |
| General assets of the Group | <u>20,878,790</u> | <u>19,488,627</u> |
| | <u>\$ 105,679,071</u> | <u>\$ 99,094,404</u> |

The amounts provided to the Chief Operating Decision-Maker with respect to total liabilities are measured in a manner consistent with that of the financial statements.

Interest-bearing liabilities of the Group are not considered to be segment liabilities but rather are managed by the financial function.

A reconciliation of liabilities of reportable segment and total liabilities is as follows:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|---|---|---|
| Liabilities of reportable segments | \$ 13,569,606 | \$ 12,605,726 |
| Liabilities of other operating segments | 9,025,595 | 8,856,626 |
| Unamortized items: | | |
| Financial liabilities at fair value through profit or loss | - | 50 |
| Deferred income tax liabilities | 2,539,962 | 2,400,752 |
| Current income tax liabilities | 490,113 | 584,071 |
| Short-term borrowings (including current portion) | 3,119,163 | 2,268,435 |
| Corporate bonds payable (including current portion) | 6,000,000 | 4,000,000 |
| Long-term borrowings | 3,309,400 | 6,673,954 |
| Total liabilities | <u>\$ 38,053,839</u> | <u>\$ 37,389,614</u> |

(5) Information on products and services

Revenue from external customers are derived from the manufacture, installation and wholesale, retail of various types of electrical and mechanical equipment. Details of revenues are as follows:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|-------------------------------|---|---|
| Sales revenue | \$ 32,316,115 | \$ 36,097,398 |
| Construction revenues | 4,412,276 | 3,198,620 |
| Service revenue | 7,762,790 | 7,642,276 |
| Revenue from disposal of land | - | 25,840 |
| Others | 1,332,249 | 945,224 |
| | <u>\$ 45,823,430</u> | <u>\$ 47,909,358</u> |

(6) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows (revenue recognition is based on the operating locations where revenue is earned):

| | <u>For the year ended December 31, 2020</u> | | <u>For the year ended December 31, 2019</u> | |
|---------|---|---------------------------|---|---------------------------|
| | <u>Revenue</u> | <u>Non-current assets</u> | <u>Revenue</u> | <u>Non-current assets</u> |
| Taiwan | \$ 25,723,694 | \$ 20,063,480 | \$ 24,221,190 | \$ 20,166,943 |
| America | 6,626,221 | 588,191 | 9,020,217 | 695,706 |
| China | 5,221,397 | 3,035,018 | 5,218,672 | 3,250,154 |
| Others | <u>8,252,118</u> | <u>2,557,966</u> | <u>9,449,279</u> | <u>2,912,764</u> |
| | <u>\$ 45,823,430</u> | <u>\$ 26,244,655</u> | <u>\$ 47,909,358</u> | <u>\$ 27,025,567</u> |

(7) Major customer information

No single customer accounts for more than 10% of the consolidated operating revenue for the years ended December 31, 2020 and 2019.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2020

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

| Number (Note 1) | Creditor | Borrower | General ledger account | Related party | Maximum outstanding balance during the year ended December 31, 2020 | Balance at December 31, 2020 (Note 8) | Actual amount drawn down | Interest rate (%) | Nature of loans | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral | | Limit on loans granted to a single party | Ceiling on total loans granted | Footnote |
|--------------------|--|--|------------------------------|------------------|--|--|--------------------------------|-------------------------|-------------------------|---|---------------------------------------|--|------------|-------|---|--------------------------------------|----------|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | Xiamen An-Tai | Other receivables | Yes | \$ 78,650 | \$ 56,960 | \$ 19,936 | 2.76% | Short-term financing | \$ - | For operating capital | \$ - | - | \$ - | \$ 1,854,849 | \$ 6,182,830 | Note 2 |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | QingDao Teco | " | " | 130,801 | 130,741 | 78,786 | 3.50% | Short-term financing | - | For operating capital | - | - | - | 1,854,849 | 6,182,830 | Note 2 |
| 1 | U.V.G. | Teco Netherlands | " | " | 245,560 | 245,140 | 245,140 | - | Short-term financing | - | For operating capital | - | - | - | 475,144 | 791,906 | Note 3 |
| 2 | Teco Westinghouse | TWMM | " | " | 66,550 | 62,656 | 14,240 | 2.97% | Short-term financing | - | For operating capital | - | - | - | 805,430 | 1,610,859 | Note 4 |
| 2 | Teco Westinghouse | TECO ELECTRIC & MACHINERY CO., LTD. | " | " | 302,500 | - | - | 1.96% | Short-term financing | - | For operating capital | - | - | - | 805,430 | 1,610,859 | Note 4 |
| 3 | Tong-An Assets | TECO ELECTRIC & MACHINERY CO., LTD. | " | " | 200,000 | - | - | 1.05% | Short-term financing | - | For operating capital | - | - | - | 528,746 | 528,746 | Note 5 |
| 4 | Jiangxi Teco | QingDao Teco | " | " | 54,000 | - | - | 3.50% | Short-term financing | - | For operating capital | - | - | - | 77,196 | 154,391 | Note 6 |
| 5 | Century Development | Century Tech. C&M Corp. | " | " | 120,000 | - | - | 1.2632% | Short-term financing | - | For operating capital | - | - | - | 123,279 | 410,931 | Note 7 |
| 6 | Great Teco Motor (PTE) Ltd. | Teco Netherlands | " | " | 241,638 | 241,638 | 241,638 | 1.0000% | Short-term financing | - | For operating capital | - | - | - | 282,780 | 471,300 | Note 8 |

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: In accordance with the company's policy, limit on total loans shall not exceed 10% of the Company's net assets based on the latest financial statements (December 31, 2020), and limit on loans to a single party shall not exceed 3% of the Company's net assets based on the latest financial statements (December 31, 2020).

Note 3: In accordance with U.V.G.'s policy, limit on total loans shall not exceed 10% of U.V.G.'s net assets based on the latest financial statements (December 31, 2020), and limit on loans to a single party shall not exceed 6% of U.V.G.'s net assets based on the latest financial statements (December 31, 2020).

Note 4: In accordance with Teco Westinghouse's policy, limit on total loans shall not exceed 20% of Teco Westinghouse's net assets based on the latest financial statements (December 31, 2020), and limit on loans to a single party shall not exceed 10% of Teco Westinghouse's net assets based on the latest financial statements (December 31, 2020).

Note 5: In accordance with Tong-An Assets' policy, limit on total loans shall not exceed 10% of Tong-An Assets' net assets based on the latest audited financial statement (December 31, 2020), and limit on loans to a single party shall not exceed 10% of Tong-An Assets' net assets based on the latest audited financial statement (December 31, 2020).

Note 6: In accordance with Jiangxi Teco's policy, limit on total loans shall not exceed 10% of Jiangxi Teco's net assets based on the latest financial statements (December 31, 2020), and limit on loans to a single party shall not exceed 5% of Jiangxi Teco's net assets based on the latest financial statements (December 31, 2020).

Note 7: In accordance with Century Development' policy, limit on total loans shall not exceed 10% of Century Development' net assets based on the latest audited financial statement (December 31, 2020), and limit on loans to a single party shall not exceed 3% of Century Development' net assets based on the latest audited financial statement (December 31, 2020).

Note 8: Great Teco Motor (PTE) Ltd.'s limit on total loans shall not exceed 10% of Great Teco Motor (PTE) Ltd.'s net assets based on the latest financial statements (December 31, 2020), and limit on loans to a single party shall not exceed 6% of Great Teco Motor (PTE) Ltd.'s net assets based on the latest financial statements (December 31, 2020).

Note 9: The credit line approved by the Board of Directors.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

| Number (Note 1) | Endorser/ guarantor | Party being endorsed/guaranteed | | Limit on endorsements/ guarantees provided for a single party | Maximum outstanding endorsement/ guarantee amount as of December 31, 2020 | Outstanding endorsement/ guarantee amount at December 31, 2020 | Actual amount drawn down | Amount of endorsements / guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%) | Ceiling on total amount of endorsements/ guarantees provided | Provision of endorsements/ guarantees by parent company to subsidiary | Provision of endorsements/ guarantees by parent company to parent company | Provision of endorsements/ guarantees to the party in Mainland China | Footnote |
|--------------------|--|------------------------------------|--|---|---|---|-----------------------------|--|---|--|--|---|---|----------|
| | | Company name | Relationship with the endorser/ guarantor (Note 2) | | | | | | | | | | | |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | Sankyo Co., Ltd | (4) | \$ 12,365,659 | \$ 46,580 | \$ 45,590 | \$ 24,867 | \$ - | 0.07 | \$ 37,096,977 | Y | N | N | Note 3 |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | Teco International | (4) | \$ 12,365,659 | \$ 100,000 | \$ 100,000 | - | - | 0.16 | \$ 37,096,977 | Y | N | N | " |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | An-Tai International | (4) | 12,365,659 | 110,000 | 110,000 | - | - | 0.18 | 37,096,977 | Y | N | N | " |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | Motovario | (4) | 12,365,659 | 1,613,680 | 1,610,920 | 1,610,920 | - | 2.61 | 37,096,977 | Y | N | N | " |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | QingDao Teco | (2) | 12,365,659 | 229,710 | 216,448 | - | - | 0.35 | 37,096,977 | Y | N | Y | " |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | TME | (6) | 12,365,659 | 41,140 | - | - | - | - | 37,096,977 | N | N | N | " |
| 1 | Teco Westinghouse | TWMM | (4) | 805,430 | 21,921 | 17,066 | 17,066 | - | 0.21 | 1,610,859 | Y | N | N | Note 4 |
| 2 | Motovario S.p.A. | TECNOFIB SRL | (1) | 885,739 | 475 | 175 | 175 | - | - | 2,657,218 | N | N | N | Note 5 |
| 2 | Motovario S.p.A. | MOTOVARIO SAU (Spain) | (4) | 885,739 | 42,970 | - | - | - | - | 2,657,218 | Y | N | N | " |

| Number (Note 1) | Endorser/ guarantor | Party being endorsed/guaranteed | | Limit on endorsements/ guarantees provided for a single party | Maximum outstanding endorsement/ guarantee amount as of December 31, 2020 | Outstanding endorsement/ guarantee amount at December 31, 2020 | Actual amount drawn down | Amount of endorsements / guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%) | Ceiling on total amount of endorsements/ guarantees provided | Provision of endorsements/ guarantees by parent company to subsidiary | Provision of endorsements/ guarantees by subsidiary to parent company | Provision of endorsements/ guarantees to the party in Mainland China | Footnote |
|--------------------|------------------------|--|--|---|---|---|-----------------------------|--|---|--|--|--|---|----------|
| | | Company name | Relationship with the endorser/ guarantor (Note 2) | | | | | | | | | | | |
| 3 | Century Development | CDC DEVELOPMENT INDIA PRIVATE LIMITED | (6) | \$ 410,931 | \$ 211,291 | \$ 211,291 | \$ - | - | 5.14 | \$ 821,862 | Y | N | N | Note 6 |
| 4 | Tong-An Assets | CDC DEVELOPMENT INDIA PRIVATE LIMITED | (6) | 528,746 | 152,824 | 138,564 | - | - | 2.62 | 1,057,493 | N | N | N | Note 7 |
| 5 | Tong-An Investment | CDC DEVELOPMENT INDIA PRIVATE LIMITED | (6) | 150,934 | 152,824 | 138,564 | - | - | 0.89 | 200,000 | N | N | N | Note 8 |

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: In accordance with the Company's policy, the total guarantee amount shall not exceed 60% of Company's net assets based on the latest financial statements (December 31, 2020), and the guarantee to a single party shall not exceed 20% of the Company's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 4: In accordance with the Teco Westinghouse's policy, the total guarantee amount shall not exceed 20% of Teco Westinghouse's net assets based on the latest financial statements (December 31, 2020), and the guarantee to a single party shall not exceed 10% of Teco Westinghouse's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 5: In accordance with Motovario S.p.A.'s policy, the total guarantee amount shall not exceed 60% of Motovario S.p.A.'s net assets based on the latest financial statements (December 31, 2020), and the guarantee to a single party shall not exceed 20% of Motovario S.p.A.'s net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 6: In accordance with Century Development's policy, the total guarantee amount shall not exceed 20% of Century Development's net assets based on the latest financial statements (December 31, 2020), and the guarantee to a single party shall not exceed 10% of Century Development's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 7: In accordance with Tong-An Asset's policy, the total guarantee amount shall not exceed 20% of Tong-An Asset's net assets based on the latest financial statements (December 31, 2020), and the guarantee to a single party shall not exceed 10% of Tong-An Asset's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 8: In accordance with Tong-An Investment Co., Ltd.'s policy, the total guarantee amount shall not exceed NT\$200 million, and the guarantee to a single party shall not exceed NT\$50 million. If due to special needs, the guarantee amount exceeds the limit, stockholders' resolution is required.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2020

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | As of December 31, 2020 | | | | Footnote |
|-------------------------------------|-----------------------|--|------------------------|-------------------------|--------------|---------------|--------------|----------|
| | | | | Number of shares | Book value | Ownership (%) | Fair value | |
| TECO ELECTRIC & MACHINERY CO., LTD. | Stock 1 | The Company is a director of the investee | Note 1 | 190,061 | \$ 6,024,920 | 3.38 | \$ 6,024,920 | |
| | Stock 2 | None | " | 9,610 | 135,503 | 0.10 | 135,503 | |
| | Stock 3 | The Company is a director of the investee | " | 5,098 | 89,983 | 13.42 | 89,983 | |
| | Stock 4, etc. | None | " | 19,055 | 8,346 | - | 8,346 | |
| | Stock 5 | " | Note 4 | 4,060 | 191,444 | 0.03 | 191,444 | |
| | Stock 6 | The Company is a director of the investee | " | 11,527 | 446,112 | 1.96 | 446,112 | |
| | Stock 7 | None | " | 47,839 | 331,523 | 1.58 | 331,523 | |
| | Stock 8 | " | " | 1,776 | 17,940 | 0.05 | 17,940 | |
| | Stock 9 | The Company is a director of the investee | " | 32,980 | 308,552 | 10.99 | 308,552 | |
| | Stock 10 | None | " | 7,500 | 314,775 | 5.00 | 314,775 | |
| | Stock 11, etc. | " | " | 22,578 | 240,824 | - | 240,824 | |
| | Fund 1 | " | " | - | 247,869 | - | 247,869 | |
| | Fund 2 | " | " | - | 68,067 | - | 68,067 | |
| | Stock 12 | The Company is a director of the investee | Note 1 | 169 | 107,653 | 0.12 | 107,653 | |
| Teco International | Stock 13 | None | " | 3,177 | 170,307 | 0.76 | 170,307 | |
| | Stock 14, etc. | The Company is a director of the investee | " | 13,062 | 218,267 | - | 218,267 | |
| | Stock 15, etc. | None | Note 3 | 3,937 | 235,626 | - | 235,626 | |
| Tong-An Investment | Stock 16 | " | Note 2 | 32 | 1,930 | - | 1,930 | |
| | Stock 17 | An investee company accounted for under the equity method by the Company | Note 1 | 19,540 | 540,282 | 0.99 | 540,282 | |
| | Stock 14 | Related party in substance | " | 9,197 | 114,956 | 8.17 | 114,956 | |
| | Stock 18 | None | " | 8,692 | 531,948 | 0.27 | 531,948 | |
| | Stock 19 | " | " | 1,285 | 127,087 | 0.04 | 127,087 | |
| | Stock 12 | The Company is a director of the investee | " | 14,050 | 8,949,850 | 10.03 | 8,949,850 | |
| | Stock 20, etc. | None | " | 23,169 | 503,320 | - | 503,320 | |
| | Stock 21, etc. | " | Note 2 | 179 | 10,871 | - | 10,871 | |
| | Stock 15, etc. | " | Note 3 | 14,611 | 890,768 | - | 890,768 | |
| | Stock 12 | The Company is a director of the investee | Note 4 | 1,000 | 637,000 | - | 637,000 | |
| | Fund 3 | None | " | 50,000 | 624,500 | - | 624,500 | |
| | Fund 4 | " | " | - | 31,665 | - | 31,665 | |
| | Stock 22 | " | Note 1 | 118 | 4,668 | - | 4,668 | |
| | Stock 17 | An investee company accounted for under the equity method by the Company | " | 2,826 | 78,132 | 0.14 | 78,132 | |
| U.V.G An-Tai International | Stock 14 | Related party in substance | " | 1,270 | 15,877 | 1.13 | 15,877 | |
| | Stock 23 | " | " | 2,756 | 192,898 | 8.51 | 192,898 | |
| | Stock 24 | None | " | 195 | 10,959 | 0.14 | 10,959 | |
| | Stock 16 | " | Note 2 | 5 | 302 | - | 302 | |
| | | | | | | | | |

| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | As of December 31, 2020 | | | | Footnote |
|--------------------------------------|-----------------------|--|------------------------|-------------------------|------------|---------------|------------|----------|
| | | | | Number of shares | Book value | Ownership (%) | Fair value | |
| An-Tai International | Stock 15, etc. | None | Note 3 | 1,537 | \$ 108,166 | - | \$ 108,166 | |
| Jie-Zheng Property | Fund 5, etc. | " | Note 2 | - | 27,552 | - | 27,552 | |
| Teco Electro | Stock 14 | Related party in substance | Note 1 | 200 | 2,503 | 0.18 | 2,503 | |
| Information Technology Total Service | Stock 25, etc. | None | " | 3,269 | 30,170 | - | 30,170 | |
| Teco Singapore | Stock 12, etc. | " | " | 304 | 183,751 | - | 183,751 | |
| Taiwan Pelican Express | Stock 17 | An investee company accounted for under the equity method by the Company | " | 7,070 | 195,485 | 0.36 | 195,485 | |
| | Stock 12 | None | " | 459 | 292,383 | 0.32 | 292,383 | |
| Teco Australia | Stock 12 | " | " | 460 | 298,075 | 0.33 | 298,075 | |
| Sankyo | Stock 26 | " | Note 1 | 68 | 8,831 | - | 8,831 | |
| Tecom and its subsidiaries | Stock 2 | " | " | 2,175 | 30,671 | 0.02 | 30,671 | |
| | Stock 1 | The Company is a corporate director of the investee | " | 16,222 | 514,240 | 0.29 | 514,240 | |
| | Stock 4, etc. | None | " | 1,202 | 767 | - | 767 | |
| | Stock 27 | " | Note 3 | 3,354 | 45,444 | 1.69 | 45,444 | |
| | Fund 6, etc. | " | Note 2 | 5,900 | 63,809 | - | 63,809 | |
| Top-Tower | Stock 17 | An investee company accounted for under the equity method by the Company | Note 3 | 77 | 2,135 | - | 2,135 | |
| | Stock 28, etc. | None | " | 3 | 77 | - | 77 | |

Note 1: Financial assets at fair value through other comprehensive income-non-current.

Note 2: Financial assets at fair value through profit or loss - current.

Note 3: Financial assets at fair value through other comprehensive income-current.

Note 4: Financial assets at fair value through profit or loss - non-current.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

For the year ended December 31, 2020

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investor | Marketable securities | General ledger account | Counterparty | Relationship with the investor | Balance as at January 1, 2020 | | Addition | | Disposal | | | | Balance as at December 31 2020 | |
|------------------------------|---|------------------------|----------------|--------------------------------|-------------------------------|--------|--------------------------|-----------------|--------------------------|---------------|------------|-------------------------|--------------------------------|------------|
| | | | | | Number of shares / units | Amount | Number of shares / units | Amount (Note 2) | Number of shares / units | Selling price | Book value | Gain (loss) on disposal | Number of shares / units | Amount |
| Tong-An Investment Co., Ltd. | Yuanta Taiwan High-yield Leading Company Fund | Note 1 | Not applicable | Not applicable | - | \$ - | 50,000,000 | \$ 624,500 | - | \$ - | \$ - | \$ - | 50,000,000 | \$ 624,500 |

Note 1: Financial assets at fair value through profit or loss - non-current.

Note 2: Investment cost and gain on valuation of fair value amounted to \$500,000 and \$124,500, respectively.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more

For the year ended December 31, 2020

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:

| Real estate acquired by | Marketable Real estate acquired | Date of the event | Transaction amount | Status of payment | Counterparty | Relationship with the counterparty | Original owner who sold the real estate to the counterparty | Relationship between the original owner and the acquirer | Date of the original transaction | Amount | Basis or reference used in setting the price | Reason for acquisition of real estate and status of the real estate disposal | Other commitments |
|-----------------------------------|-------------------------------------|-------------------|--------------------|-------------------|-------------------------------------|------------------------------------|---|--|----------------------------------|----------------|--|--|-------------------|
| Century Biotech Development Corp. | Park permanent works | In October 2019 | \$1,653,600 | \$264,886 | FAR EASTERN GENERAL CONTRACTOR INC. | Non-related parties | Not applicable | Not applicable | Not applicable | Not applicable | Comparative price and bargain | Operation needs | None |
| | Park curtain wall | In February 2020 | 410,000 | 40,982 | CHINA WIRE & CABLE CO., LTD. | Non-related parties | Not applicable | Not applicable | Not applicable | Not applicable | Comparative price and bargain | Operation needs | None |
| | Park electrical and mechanical work | In September 2020 | 1,375,000 | - | TECO ELECTRIC & MACHINERY CO., LTD. | Related parties | Not applicable | Not applicable | Not applicable | Not applicable | Comparative price and bargain | Operation needs | None |

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

For the year ended December 31, 2020

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

| Purchaser/seller | Counterparty | Relationship with the counterparty | Transaction | | | | Differences in transaction terms compared to third party transactions | | Notes/accounts receivable (payable) | | Footnote |
|-------------------------------------|-------------------------------|--|-------------------|--------------|---------------------------------------|-------------|---|-------------|-------------------------------------|---|----------|
| | | | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | |
| | | | | | | | | | | | |
| TECO ELECTRIC & MACHINERY CO., LTD. | Tesen | An investee accounted for under the equity method | Purchases | \$ 2,282,578 | 14% | 30 days | Note | Note | (\$ 28,041) | (1%) | |
| | Taian (Subic) | " | " | 167,979 | 1% | " | " | " | (66,994) | (1%) | |
| | Kuen Ling | " | " | 121,424 | 1% | " | " | " | (76,673) | (2%) | |
| | Tai-An Wuxi | An indirect investee accounted for under the equity method | " | 630,834 | 4% | " | " | " | (107,461) | (2%) | |
| | Wuxi Teco | " | " | 927,113 | 6% | " | " | " | (382,390) | (8%) | |
| | QingDao Teco | " | " | 437,865 | 3% | " | " | " | (69,595) | (1%) | |
| | TECO (VIETNAM) | " | " | 363,225 | 2% | " | " | " | (97,461) | (2%) | |
| | ELECTRIC & MACHINERY | | | | | | | | | | |
| | Tong Dai | An investee accounted for under the equity method | Sales | (1,443,376) | (7%) | 90 days | " | " | 361,596 | 9% | |
| | Taisan | " | " | (172,312) | (1%) | " | " | " | 25,774 | 1% | |
| | E-Joy International Co., Ltd. | " | " | (242,899) | (1%) | " | " | " | 43,813 | 1% | |
| | Teco Singapore | " | " | (564,993) | (3%) | " | " | " | 69,825 | 2% | |
| | Teco Westinghouse | An indirect investee accounted for under the equity method | " | (2,665,311) | (13%) | " | " | " | 221,814 | 6% | |
| | Teco Westinghouse Canada | " | " | (662,407) | (3%) | " | " | " | 25,324 | 1% | |
| | Teco Australia | " | " | (1,156,564) | (6%) | " | " | " | 291,587 | 8% | |
| | Top-Tower | " | " | (263,425) | (1%) | " | " | " | 51,026 | 1% | |
| | Sankyo | " | " | (220,802) | (1%) | " | " | " | 212,086 | 6% | |
| Motovario | " | " | (168,541) | (1%) | " | " | " | 38,563 | 1% | | |
| TECO MIDDLE EAST | " | " | (118,131) | (1%) | " | " | " | 42,786 | 1% | | |

Note : Comparable with other types of transactions, trading conditions are handled in accordance with the agreement of the conditions.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2020

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2020 | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|--|--|---|------------------------------------|---------------|---------------------|---------------------------------|--|------------------------------------|
| | | | | | Amount | Action taken | | |
| TECO ELECTRIC & MACHINERY CO., LTD. | Tong Dai | An investee accounted for under the equity method | \$ 362,532 | 3.6 | \$ - | - | \$ 5,913 | |
| " | Teco Australia | An indirect investee accounted for under the equity method | 291,763 | 4.55 | - | - | 170,819 | |
| " | Sankyo | " | 228,638 | 0.91 | 153,493 | In the process of collection | 14,455 | |
| " | Teco Westinghouse | " | 222,178 | 11.04 | 21,686 | " | 210,308 | |
| " | QingDao Teco | " | 201,446 | - | - | - | 728 | |
| " | Wuxi Teco | " | 126,679 | 0.26 | - | - | 4,831 | |
| " | Motovario S. P. A. | " | 113,552 | 1.5 | - | - | 424 | |
| Wuxi Teco | TECO ELECTRIC & MACHINERY CO., LTD. | An investee accounted for under the equity method | 382,390 | 2.49 | - | - | 154,636 | |
| Tai-An Wuxi U.V.G. | " | " | 107,461 | 6.08 | - | - | 64,659 | |
| | Teco Netherlands | " | 245,140 | - | - | - | - | |
| Great Teco Motor (PTE) Ltd. | " | " | 241,638 | - | - | - | - | Total amount was \$17,995 |

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the year ended December 31, 2020

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | Percentage of consolidated total operating revenues or total assets (Note 3) |
|--------------------|-------------------------------------|-------------------------------------|--------------------------|---|------------|--|--|
| | | | | General ledger account | Amount | Transaction terms | |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | Tong Dai | (1) | Notes receivable, accounts receivable and other receivables | \$ 362,532 | Because there is no transaction in same type which can be compared with, it is based on the condition and the period specified in the agreement. | - |
| 0 | " | Teco Australia | " | Accounts receivable and other receivables | 291,763 | " | - |
| 0 | " | Sankyo | " | " | 228,638 | " | - |
| 0 | " | Teco Westinghouse | " | " | 222,178 | " | - |
| 0 | " | QingDao Teco | " | " | 201,446 | " | - |
| 0 | " | Wuxi Teco | " | " | 126,679 | " | - |
| 0 | " | Motovario S. P. A. | " | " | 113,552 | " | - |
| 1 | Wuxi Teco | TECO ELECTRIC & MACHINERY CO., LTD. | (2) | Accounts receivable | 382,390 | " | - |
| 2 | Tai-An Wuxi | " | " | " | 107,461 | " | - |
| 3 | U.V.G | Teco Netherlands | (3) | Other receivables | 245,140 | " | - |
| 4 | Great Teco Motor (PTE) Ltd. | " | " | " | 241,638 | " | - |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | Teco Westinghouse | (1) | Sales | 2,665,311 | " | 6% |
| 0 | " | Tong Dai | " | " | 1,443,376 | " | 3% |
| 0 | " | Teco Australia | " | " | 1,156,564 | " | 3% |
| 0 | " | Teco Westinghouse Canada | " | " | 662,407 | " | 1% |
| 0 | " | Teco Singapore | " | " | 564,993 | " | 1% |
| 0 | " | Top-Tower | " | " | 263,425 | " | 1% |
| 0 | " | E-Joy International | " | " | 242,899 | " | 1% |
| 0 | " | Sankyo | " | " | 220,802 | " | - |
| 0 | " | Motovario S. P. A. | " | " | 168,541 | " | - |

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the year ended December 31, 2020

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | Percentage of consolidated total operating revenues or total assets (Note 3) |
|--------------------|--|--|--------------------------|------------------------|--------------|---|--|
| | | | | General ledger account | Amount | Transaction terms | |
| 5 | Tesen | TECO ELECTRIC & MACHINERY CO., LTD. | (2) | Sales | \$ 2,282,578 | Because there is no transaction in same type which can be compared with, it is based on the condition and the period specified in the agreement. | 5% |
| 1 | Wuxi Teco | " | " | " | 927,113 | " | 2% |
| 2 | Tai-An Wuxi | " | " | " | 630,834 | " | 1% |
| 6 | QingDao Teco | " | " | " | 437,865 | " | 1% |
| 7 | TECO (VIETNAM) ELECTRIC & MACHINERY | " | " | " | 363,225 | " | 1% |
| 8 | Taian (Subic) | " | " | " | 167,979 | " | - |
| 0 | TECO ELECTRIC & MACHINERY CO., | Wuxi Teco | (1) | Other income | 233,452 | " | 1% |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship with the transaction company:

(1) The parent company to the subsidiary.

(2) The subsidiary to the parent company.

(3) The subsidiary to another subsidiary.

Note 3: Regarding percentage of transaction amount to total operating revenues or total assets, it is computed based on period-end balance of transaction to total assets for balance sheet accounts and based on accumulated transaction amount for the period to total operating revenues for income statement accounts.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2020

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2020 | | | Net profit (loss) | Investment income | Footnote |
|-------------------------------------|-------------------------------------|---|---|---------------------------------|---------------------------------|-------------------------------------|---------------|--------------|--------------------------------------|--|----------|
| | | | | Balance as at December 31, 2020 | Balance as at December 31, 2019 | Number of shares | Ownership (%) | Book value | (loss) of the investee | (loss) recognized by the | |
| | | | | | | | | | for the year ended December 31, 2020 | Company for the year ended December 31, 2020 | |
| TECO ELECTRIC & MACHINERY CO., LTD. | Tung Pei | Taiwan | Manufacturing of bearings | \$ 12,293 | \$ 12,293 | 39,145,044 | 31.14% | \$ 2,134,415 | \$ 393,323 | \$ 122,438 | None |
| | Tecom | Taiwan | Manufacturing of key telephone system and nonkey service unit telephone system | 431,109 | 431,109 | 60,090,307 | 63.52% | 136,325 | (34,701) | (24,775) | None |
| | Teco International | Taiwan | Investment holdings, investments in securities and construction of commercial buildings | 100,013 | 100,013 | 69,894,485 | 100% | 1,352,017 | 50,184 | 54,281 | None |
| | Teco Holdings and its subsidiaries | U.S.A | Manufacturing and distribution of motors and generators, and investment and trading in USA | 726,428 | 726,428 | 1,680 | 100% | 10,425,934 | 393,564 | 393,745 | None |
| | Teco Singapore and its subsidiaries | Singapore | Distribution of the Company's motor products in Singapore | 112,985 | 112,985 | 7,200,000 | 90% | 3,374,863 | 69,771 | 58,998 | None |
| | Tong-An Investment | Taiwan | Investment holdings | 2,490,000 | 2,490,000 | 508,860,935 | 99.60% | 15,044,580 | 647,076 | 579,946 | None |
| | Teco Electro | Taiwan | Manufacturing of Stepping motors | 82,335 | 82,335 | 10,770,864 | 62.57% | 203,712 | 35,666 | 22,325 | None |
| | UVG and its subsidiaries | Cayman Islands | Manufacturing and distribution of the Company's motor products and home appliances, and investment holdings | 8,505,434 | 8,505,434 | 195,416,844 | 100% | 7,914,568 | 366,286 | 368,495 | None |
| | ITTS | Taiwan | E-business service, mailing and data management | 116,346 | 116,346 | 11,467,248 | 41.97% | 222,861 | 65,780 | 27,606 | None |
| Tesen | Taiwan | Manufacturing and sales of home appliance | 200,000 | 200,000 | 20,000,000 | 100% | 213,766 | 14,380 | 12,843 | None | |

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2020 | | | Net profit (loss) | Investment income | Footnote |
|-------------------------------------|---------------------------------------|------------------------|---|---------------------------------|---------------------------------|-------------------------------------|---------------|------------|--|---|----------|
| | | | | Balance as at December 31, 2020 | Balance as at December 31, 2019 | Number of shares | Ownership (%) | Book value | of the investee for the year ended December 31, 2020 | (loss) recognized by the Company for the year ended December 31, 2020 | |
| | | | | | | | | | | | |
| TECO ELECTRIC & MACHINERY CO., LTD. | Lien Chang | Taiwan | Manufacturing of color flybacks transformers, mono flyback transformers and mono deflection yokes | \$ 117,744 | \$ 117,744 | 37,542,159 | 33.84% | \$ 465,947 | \$ 46,775 | \$ 15,831 | None |
| | Tong Dai | Taiwan | Distribution of the Company's motor products in Taichung | 22,444 | 22,444 | 6,615,234 | 83.53% | 347,714 | 53,009 | 44,254 | Note |
| | Teco Vietnam | Vietnam | Manufacturing and sales of motors | 382,286 | 352,252 | - | - | 302,684 | (24,837) | (44,252) | None |
| | Yatec | Taiwan | Development and maintenance of various electric appliances | 92,389 | 92,389 | 7,799,996 | 64.95% | 141,681 | 16,655 | 10,843 | None |
| | Tong-An Assets | Taiwan | Real estate business | 2,111,889 | 2,111,889 | 395,415,338 | 100% | 5,287,463 | 57,956 | 57,956 | None |
| | Taian Subic | Philippines | Manufacturing and sales of switches | 165,819 | 165,819 | 17,131,155 | 76.70% | 174,863 | 14,305 | 10,356 | None |
| | Micropac (BVI) and its subsidiaries | British Virgin Islands | Manufacturing and distribution of optical fiber apparatus and international trading | 454,923 | 454,923 | 14,883,591 | 100% | 1,344,056 | (23,912) | (27,138) | None |
| | Century Development | Taiwan | Development and management of industrial park | 951,141 | 951,141 | 100,592,884 | 28.67% | 1,290,626 | 63,199 | 14,149 | None |
| | An-Tai International | Taiwan | Investment holdings | 150,000 | 150,000 | 33,253,581 | 100% | 538,132 | 17,701 | 14,955 | None |
| | Taiwan Pelican Express | Taiwan | Logistics and distribution services | 255,116 | 255,116 | 24,121,700 | 25.27% | 305,882 | 209,015 | 50,138 | None |
| | Kuen Ling | Taiwan | Manufacturing, installation, repair, domestic and export sales and leasing of condenser, water cooling, watercooled chiller and freezer | 186,605 | 186,605 | 11,131,642 | 14.62% | 296,193 | 203,360 | 29,726 | None |
| Eagle Holding Co. TECO MOTOR B.V. | Taian-Etacom | Taiwan | Bus bar and manufacturing of its components | 70,330 | 70,330 | 7,033,000 | 84.73% | 134,934 | 21,473 | 18,195 | None |
| | Eagle Holding Co. | Cayman Islands | Investment holdings | 3,691,723 | 3,691,723 | 1 | 100% | 4,495,918 | 96,767 | 96,767 | None |
| | TECO MOTOR B.V. | Netherlands | Investment holdings | 3,691,723 | 3,691,723 | 1 | 100% | 4,495,918 | 96,767 | 96,767 | None |
| Tung Pei | Tung Pei (SAMOA) Industrial Co., Ltd. | Italy | Production and sale of gear reducers and motors | 3,989,850 | 3,989,850 | 18,010,000 | 100% | 4,495,918 | 96,767 | 96,767 | None |
| | | Samoa | Investment holdings and establishment of overseas distribution channel | 646,343 | 646,343 | 23,031,065 | 100% | 1,683,340 | 107,921 | 107,921 | None |

Table 9, Page 2

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2020 | | | Net profit (loss) of the investee for the year ended December 31, 2020 | Investment income (loss) recognized by the Company for the year ended December 31, 2020 | Footnote |
|-----------------------------|---|------------------------|---|---------------------------------|---------------------------------|-------------------------------------|---------------|--------------|--|---|----------|
| | | | | Balance as at December 31, 2020 | Balance as at December 31, 2019 | Number of shares | Ownership (%) | Book value | | | |
| | | | | | | | | | | | |
| Tecom | Tecom International | Taiwan | Investment holdings | \$ - | \$ 100,000 | - | - | \$ - | \$ - | \$ - | None |
| | Baycom | Taiwan | Manufacturing and sales of optical telecom products | 431,258 | 359,656 | 14,700,741 | 43.76% | 190,676 | 8,885 | 2,124 | None |
| Tong-An Investment | Creative Sensor Inc. | Taiwan | Manufacturing and sales of electronic components | 87,464 | 87,464 | 7,913,279 | 6.23% | 208,301 | 190,268 | 11,850 | None |
| | Century Development | Taiwan | Development and management of industrial park | 420,646 | 420,646 | 46,235,042 | 13.18% | 635,789 | 63,199 | 9,732 | None |
| | Taiwan Pelican Express | Taiwan | Logistics and distribution services | 54,874 | 54,874 | 6,474,468 | 6.78% | 134,571 | 209,015 | 14,175 | None |
| | Century Biotech Development Corp. | Taiwan | Development and construction of real estate | 514,270 | 200,000 | 51,427,000 | 25% | 504,213 (| 5,923) (| 1,529) | None |
| | Century Real Estate (International) Pte. Ltd. | Singapore | Investing in other areas | 274,856 | 274,856 | 9,120,000 | 30% | 219,462 (| 21,659) (| 6,502) | None |
| Lien Chang | Gen Mao International Corp. | Taiwan | Investment holdings | 92,000 | 92,000 | 12,553,526 | 100% | 133,361 (| 2,667) (| 2,667) | None |
| | Gen Mao (Singapore) | Singapore | Investment holdings | 582,246 | 582,246 | 27,502,354 | 84.97% | 713,849 (| 31,213) (| 13,220) | None |
| Gen Mao International Corp. | Gen Mao (Singapore) | Singapore | Investment holdings | 91,079 | 91,079 | 4,866,045 | 15.03% | 126,250 (| 31,213) (| 2,338) | None |
| Century Development | Centurytech Construction and Management Corp. | Taiwan | Construction and sales of related raw materials | 168,170 | 98,170 | 10,000,000 | 100% | (111,571) (| 250,606) (| 250,606) | None |
| | Jie-Zheng Property Service & Management Co., Ltd. | Taiwan | Building management servicing | 13,750 | 13,750 | 1,512,500 | 50% | 72,068 | 34,677 | 17,400 | None |
| | United Development | Taiwan | Investment consultancy service for domestic and foreign industrial parks and land | 25,536 | 25,536 | 5,016,880 | 51.60% | 70,909 | 12,315 | 6,354 | None |
| | Century Biotech Development Corp. | Taiwan | Development and construction of real estate | 771,460 | 300,000 | 77,160,000 | 30.86% | 756,412 (| 5,923) (| 2,294) | None |
| | Greyback International Property Inc. | Philippines | Housing project in Subic | 9,912 | 9,912 | 144,600 | 30.11% | 9,743 (| 32) (| 9) | None |
| | Century Real Estate (International) Pte. Ltd. | Singapore | Investing in other areas | 365,820 | 365,820 | 12,160,000 | 40% | 292,617 (| 21,659) (| 8,664) | None |
| Teco Electro | Teco Electro Devices Co., Ltd. | British Virgin Islands | Trading and investment holdings | 88,108 | 88,108 | 2,510,000 | 100% | 159,463 | 35,919 | 35,967 | None |

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2020 | | | Net profit (loss) of the investee for the year ended December 31, 2020 | Investment income (loss) recognized by the Company for the year ended December 31, 2020 | Footnote |
|--------------------|---|------------------------|--|---------------------------------|---------------------------------|-------------------------------------|---------------|------------|--|---|----------|
| | | | | Balance as at December 31, 2020 | Balance as at December 31, 2019 | Number of shares | Ownership (%) | Book value | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| Teco Singapore | Century Development | Taiwan | Development and management of industrial park | \$ 179,222 | \$ 179,222 | 21,264,873 | 6.06% | \$ 2,490 | \$ 63,199 | \$ 38 | None |
| Teco International | Creative Sensor Inc. | Taiwan | Manufacturing and sales of electronic components | 52,560 | 52,560 | 4,326,447 | 3.41% | 113,273 | 190,268 | 6,176 | None |
| Kuen Ling | CHING CHI INTERNATIONAL LIMITED | British Virgin Islands | Investing in other areas | 201,467 | 201,467 | 6,200,000 | 83% | 466,521 | 26,934 | 22,363 | None |
| Tong-An Assets | Century Development | Taiwan | Leasing of real estate | 184,893 | 184,893 | 17,741,287 | 4.85% | 199,239 | 63,199 | 3,581 | None |
| | Century Biotech Development Corp. | Taiwan | Development and construction of real estate | 514,270 | 200,000 | 20,000,000 | 20.57% | 504,213 | (5,923) | (1,529) | None |
| | Century Real Estate (International) Pte. Ltd. | Singapore | Investing in other areas | 274,856 | 274,856 | 9,120,000 | 30% | 219,462 | (21,659) | (6,497) | None |

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2020

Table 10

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, | Net income of investee for the year ended December 31, 2020 | Ownership held by the Company (direct or indirect)(%) | Investment income (loss) recognized by the Company for the year ended December 31, 2020 | Book value of investments in Mainland China as of December 31, 2020 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020 | Footnote |
|-------------------------------|--|-----------------|----------------------|---|--|-------------------------------|---|---|---|--|--|--|----------|
| | | | | 2020 | Remitted to Mainland China | Remitted back to Taiwan | 2020 | | | | | | |
| Teco (Dong Guang) | Manufacturing and sales of air conditioners mechanical equipment | \$ 268,799 | Note 2 | \$ 188,139 | \$ - | \$ - | \$ 188,139 | (\$ 5,272) | 100% | (\$ 5,272) | \$ 132,147 | \$ - | Note 15 |
| Wuxi Teco | Manufacturing and sales of motors | 1,697,276 | Note 1 | 768,259 | - | - | 768,259 | 174,993 | 82.35% | 142,798 | 1,595,176 | - | Note 15 |
| Taian (Wuxi) | Manufacturing and sales of optical fiber | 495,213 | Note 11 | 205,551 | - | - | 205,551 | 283 | 100% | 4,007 | 1,193,941 | 46,363 | Note 15 |
| Nanchang Teco | Manufacturing and sales of home appliances | 456,293 | Note 3 | 456,293 | - | - | 456,293 | 170 | 100% | 170 | (6,043) | - | Note 15 |
| Jiangxi Teco | Manufacturing and sales of motors | 1,481,569 | Note 1 | 1,383,653 | - | - | 1,383,653 | 67,902 | 98.07% | 66,592 | 1,514,115 | - | Note 15 |
| QingDao Teco | Manufacturing and sales of dies | 947,331 | Note 1 | 1,648,510 | - | - | 1,648,510 | 9,182 | 87.60% | 8,043 | 375,354 | - | Note 15 |
| Xiamen An-Tai | Development, manufacturing and sales of LCD monitors. | 678,681 | Note 3 | 467,577 | - | - | 467,577 | (3,032) | 100% | (3,032) | 273,932 | - | Note 15 |
| Teco Han Zhou | Development and consulting of device products | 9,837 | Note 1 | 9,837 | - | - | 9,837 | 4,712 | 100% | 4,810 | 36,295 | - | Note 16 |
| Teco Century | Manufacturing and sales of compressor | 680,938 | Note 3 | 340,469 | - | - | 340,469 | 7,533 | 24% | 1,771 | 27,761 | - | Note 16 |
| Fujian Teco | Manufacturing and sales of electronic components | 391,843 | Note 1 | 391,843 | - | - | 391,843 | (13,271) | 100% | (13,271) | 54,857 | - | Note 16 |

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 | Net income of investee for the year ended December 31, 2020 | Ownership held by the Company (direct or indirect)(%) | Investment income (loss) recognized by the Company for the year ended December 31, 2020 | Book value of investments in Mainland China as of December 31, 2020 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020 | Footnote |
|--|---|-----------------|----------------------|--|--|------|---|---|--|--|--|--|--------------------|
| | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | | |
| Ecoelectric International | Distribution of air conditioner | \$ 24,004 | Note 2 | \$ - | \$ - | \$ - | \$ - | (\$ 11,784) | 39.90% | (\$ 4,702) | (\$ 8,767) | \$ - | Note 16 |
| Jiangxi TECO (AC) | Manufacturing and sales of air conditioning mechanical equipment | 79,813 | Note 3 | 79,813 | - | - | 79,813 | (3,026) | 100% | (3,026) | 123,618 | - | Note 15 |
| Qingdao Teco Innovation | Science Park development and business operations and consulting services | 59,444 | Note 13 | 59,444 | - | - | 59,444 | 1,968 | 100% | 1,968 | 39,650 | - | Note 16 |
| Shanghai Teco | Sales of home appliances | 23,829 | Note 1 | 23,829 | - | - | 23,829 | 88,008 | 100% | 88,008 | 188,069 | - | Note 15 |
| Hunan TECO Wind Energy Limited | Manufacturing, sales and technical services of 2.0 megawatt and above aerogenerator, wheel bay and other components | 240,818 | Note 11 | 240,818 | - | - | 240,818 | - | 100% | - | - | - | Notes 19 |
| Jiangxi TECO Westinghouse Motor Coil Co.,Ltd. | Manufacturing and sales of motors, winding and related parts | 119,840 | Note 12 | - | - | - | - | 5,373 | 100% | 5,373 | 116,577 | - | Note 15 |
| Wuxi TECO Precision Industry Co. Ltd. | Production and sale of industrial motors and applications | 656,500 | Note 14 | - | - | - | - | 9,810 | 100% | 9,813 | 803,513 | - | Note 15 |
| Beijing Pelican Express | Storage services | 26,422 | Note 4 | 26,422 | - | - | 26,422 | 175 | 100% | 175 | 2,422 | - | Note 15 |
| Fubon Gehua (Beijing) Trading Co., Ltd. | Merchandise wholesale | 330,613 | Note 5 | 24,746 | - | - | 24,746 | - | 1.63% | - | - | - | Notes 17 and 18 |
| Wuhan Tecom | Communication network information, technology development, sales and technology services business | 6,950 | Note 6 | 6,950 | - | - | 6,950 | (5,743) | 100% | (5,343) | (2,070) | - | Note 15 |
| Tecom Tech (Wuxi) | R & D, manufacture of broadband access network communication system equipment; sale of products to provide technology services | 485,455 | Note 7 | 485,455 | - | - | 485,455 | (31) | 100% | (31) | 2,952 | - | Note 15 |
| Information Technology (Wuxi) | ERP building, system maintenance and purchases of information appliance | 10,167 | Note 9 | 10,167 | - | - | 10,167 | 9,737 | 100% | 9,737 | 26,550 | - | Note 15 |
| Information Technology Total Service (Xiamen) | ERP building, system maintenance and purchases of information appliance | 4,421 | Note 9 | - | - | - | - | (835) | 100% | (835) | (154) | - | Note 15 |

Table 10, Page 2

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 | Net income of investee for the year ended December 31, 2020 | Ownership held by the Company (direct or indirect)(%) | Investment income (loss) recognized by the Company for the year ended December 31, 2020 | Book value of investments in Mainland China as of December 31, 2020 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020 | Footnote |
|--|---|-----------------|----------------------|---|--|-------------------------------|---|---|--|--|--|--|----------|
| | | | | 2020 | Remitted to Mainland China | Remitted back to Taiwan | 2020 | 2020 | | 2020 | 2020 | 2020 | |
| Wuxi TECO Electro Devices Co. Ltd. | R&D, manufacturing and sales of motors and provide products sales skills | \$ 115,125 | Note 10 | \$ 86,101 | \$ - | \$ - | \$ 86,101 | \$ 35,919 | 100.00% | \$ 35,919 | \$ 159,853 | \$ 43,266 | Note 15 |

Note 1: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through United View Global Investment Co., Ltd. and Great Teco Motor (Pte) Ltd. and then invest in Mainland China.

Note 2: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through United View Global Investment Co., Ltd. and Asia Air Tech Industrial (Pte) Ltd. and then invest in Mainland China.

Note 3: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through United View Global Investment Co., Ltd. and Asia Electric & Machinery (Pte) Ltd. and then invest in Mainland China.

Note 4: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Pelecanus Express Pte. Ltd., and then invest in Mainland China.

Note 5: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Asian Crown International Co., Ltd. and then invest in Mainland China.

Note 6: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Tecom Global Tech Investment (B.V.I) Limited and then invest in Mainland China.

Note 7: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Tecom Global Tech Investment Pte Limited and then invest in Mainland China.

Note 8: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Tecom Tech Investment (B.V.I) Limited and then invest in Mainland China.

Note 9: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Information Technology Total Service (BVI) Co., Ltd. and then invest in Mainland China.

Note 10: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Teco Electro Devices Co., Ltd. and then invest in Mainland China.

Note 11: Through investing in investees in the third areas, which then invested in the investee in Mainland China: Invest through Micropac Worldwide (B.V.I) and An-Tai International Investment (Singapore) Co., Ltd. and then invest in Mainland China.

Note 12: Through investing in investees in the third areas, which then invested in the investee in Mainland China: Invest through Teco Holding USA Inc. and Teco Westinghouse Motor Company and then invest in Mainland China.

Note 13: Through investing in investees in the third areas, which then invested in the investee in Mainland China: Invested through Tecocapital Investment (Samoa) Co., Ltd. and then invest in Mainland China.

Note 14: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Great Teco Motor (Pte) Ltd., Teco Australia Pty. Ltd. and Teco Electric & Machinery (Pte) Ltd. and then invest in Mainland China.

Note 15: The amount recognized was based on the financial statements that were audited by R.O.C. parent company's CPA firm.

Note 16: The amount recognized was based on the financial statements that were audited by the other CPA firm.

Note 17: Financial assets at fair value through other comprehensive income.

Note 18: As of December 31, 2020, accumulated impairment of \$24,746 was accrued.

Note 19: The liquidation and dissolution were completed in 2020.

| Company name | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | | |
|---|--|---|---------------|
| | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA | |
| TECO Electric & Machinery Co., Ltd. | \$ 6,487,880 | \$ 8,750,356 | \$ 40,575,139 |
| Taiwan Pelican Express Co., Ltd. | 51,168 | 51,168 | 1,190,563 |
| Tecom Co., Ltd. | 541,961 | 754,000 | 287,262 |
| Information Technology Total Services Co., Ltd. | 10,167 | 10,167 | 318,612 |
| Teco Electro Devices Co., Ltd. | 86,101 | 104,259 | 195,451 |

Note 1: The accounts of the Company are expressed in New Taiwan dollars. Income statement accounts denominated in foreign currencies are translated into New Taiwan dollars at the weighted average exchange rates prevailing at the transaction dates and balance sheet accounts at spot exchange rates prevailing at the balance sheet dates.

Note 2: The amount disclosed was based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

Note 3: Tecom completed the investment in Mainland China in the third quarter of 2010 and the ceiling on investments was \$1,760,251 which was calculated based on Tecom's net assets of \$2,933,752 in the third quarter of 2010.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas
For the year ended December 31, 2020

Table 11

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investee in Mainland China | Sale (purchase) | | Property transaction | | Accounts receivable (payable) | | Provision of endorsements and guarantees | | Financing | | | | |
|----------------------------|-----------------|------|----------------------|---|-------------------------------|------|--|---------|---|------------------------------|---------------|--|--------|
| | Amount | % | Amount | % | Balance at December 31, 2020 | % | Balance at December 31, 2020 | Purpose | Maximum balance during the year ended December 31, 2020 | Balance at December 31, 2020 | Interest rate | Interest during the year ended December 31, 2020 | Others |
| Wuxi Teco | \$ 27,750 | - | \$ - | - | \$ 8,184 | - | \$ - | - | \$ - | \$ - | - | \$ - | - |
| Taian (Wuxi) | 20,455 | - | - | - | 4,524 | - | - | - | - | - | - | - | - |
| Jiangxi Teco | 41,786 | - | - | - | 12,534 | - | - | - | - | - | - | - | - |
| QingDao Teco | 108 | - | - | - | 1,810 | - | - | - | 130,801 | 130,741 | 3.50% | 2,874 | - |
| Xiamen An-Tai | - | - | - | - | - | - | - | - | 78,650 | 56,960 | 2.76% | 659 | - |
| Shanghai Teco | 17,643 | - | - | - | 11,636 | - | - | - | - | - | - | - | - |
| Jiangxi TECO (AC) | 47 | - | - | - | - | - | - | - | - | - | - | - | - |
| Wuxi Teco Precision | 2,287 | - | - | - | 321 | - | - | - | - | - | - | - | - |
| Wuxi Teco | (927,113) | (6%) | - | - | 382,390 | (8%) | - | - | - | - | - | - | - |
| Taian (Wuxi) | (630,834) | (4%) | - | - | 107,461 | (2%) | - | - | - | - | - | - | - |
| Jiangxi Teco | (99,559) | (1%) | - | - | 30,608 | (1%) | - | - | - | - | - | - | - |
| QingDao Teco | (437,865) | (3%) | - | - | 69,595 | (1%) | - | - | - | - | - | - | - |
| Xiamen An-Tai | (4,158) | - | - | - | 5 | - | - | - | - | - | - | - | - |
| Jiangxi TECO (AC) | (28,390) | - | - | - | 8,962 | - | - | - | - | - | - | - | - |
| Wuxi Teco Precision | (50,545) | - | - | - | 36 | - | - | - | - | - | - | - | - |

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Major shareholders information

December 31, 2020

Table 12

| Name of major shareholders | Shares | |
|------------------------------|-----------------------|---------------|
| | Number of shares held | Ownership (%) |
| PJ Asset Management Co., Ltd | 373,237,991 | 18.96% |
| Jia-Yuan Investment Co., Ltd | 154,653,000 | 7.85% |