Stock Code: 6125

# Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

# Consolidated Financial Statements with Independent Auditors' Report

2020 and 2019

Address: 1F., No. 69, Ruifang Industrial Park, Dingping Rd., Ruifang Dist., New Taipei City, Taiwan (R.O.C.)

Tel.: (02)2786-3797

# §TABLE OF CONTENTS§

Declaration of Consolidated Financial Statements of Affiliated Companies

The companies to be included by the Company in the consolidated financial statement of affiliated enterprises in 2020 (January 1, 2020 – December 31, 2020) pursuant to the Criteria Governing Preparation of Affiliation Report, Consolidated Business Report and Consolidated Financial Statement of Affiliated Enterprises are the same as those to be included into the consolidated financial report of the parent company and subsidiaries pursuant to the Statement of International Financial Reporting Standards (IFRS) No. 10. Further, the related information to be disclosed in the consolidated financial report of affiliated enterprises has been disclosed in the said consolidated financial report of parent company and subsidiaries. Accordingly, it is not necessary for the Company to prepare the consolidated financial report of affiliated enterprises separately. In witness thereof, the Declaration is hereby presented.

Company name: Kenmec Mechanical Engineering Co., Ltd.

Person in charge: CHING-FU HSIEH

March 19, 2021

## Independent Auditors' Report

To KENMEC MECHANICAL ENGINEERING CO., LTD.:

**Audit Opinion**

We audited the consolidated balance sheets of Kenmec Mechanical Engineering Co., Ltd. and subsidiaries (Kenmec Group) as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow for the period from January 1 to December 31, 2020 and 2019, and the notes to consolidated financial statements (including the summary of significant accounting policies).

In our opinion, the said consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, interpretations and the statements of interpretation approved and released by the Financial Supervisory Commission, and thus presented fairly, in all material aspects, the consolidated financial position of Kenmec Group as of December 31, 2020 and 2019, and consolidated business performance and cash flow for the period from January 1 to December 31, 2020 and 2019.

**Basis of the audit opinion**

In 2020, we conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards; in 2019, we conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, theLetter Jin-Guan-Zheng-Shen-Zi No.1090360805issued by the Financial Supervisory Commission on February 25, 2020, and the generally accepted auditing standards. Our responsibilities under such standards are further described in the "CPA's responsibility for the audit of the consolidated financial statements" section in this report. We were independent of Kenmec Group, in accordance with the Norms of Professional Ethics for Certified Public Accountants and fulfilled all other responsibilities thereunder. We believe that we acquired sufficient and appropriate audit evidence to use as the basis of our audit opinions.

**Key audit matters**

Key audit matters refer to, based on our professional judgment, the most important matters for auditing Kenmec Group's consolidated financial statements in 2020. Such matters were addressed during the overall audit of the consolidated financial statements and the process of forming the audit opinions, and thus we did not provide opinions separately regarding such matters.

The key audit matters for the Kenmec Group's consolidated financial statements in 2020 are described as follows:

<u>Constriction income recognized</u>

KENMEC MECHANICAL ENGINEERING CO., LTD. of the consolidated company focuses on the automation engineering business. The construction income is recognized based on the percentage completion as per the contract. Since this is significant to the recognition of the construction income, we listed the percentage of completion meeting the given conditions as key audit matters of the 2020 consolidated financial statements. Please refer to Note 4, 5 and 26 of the consolidated financial statements for more information on the accounting policies and disclosed information with respect to recognition of the construction income.

In addition to testing relevant internal control, we performed the following audit procedures:

1. For acquisition of significant new construction contracts, we made sure if the total contract price matched with that used as a basis for calculation of the construction income. For significant increase/decrease of works, we took follow-up actions to the increase/decrease contract.
2. For the significantly increased works and the works of which the estimated total cost was changed significantly, we conducted spot check of the budget document compiled after increase and change of the works and made sure if it was approved by the head of the responsible department in order to assess the reasonableness of the change in estimation.
3. We acquired the statement of costs and expenses of the year and conducted spot check for verification of relevant certificates to validate the amount of the input cost stated in the project report, ensure the correctness of the percentage of completion for the construction income, and make sure it was entered into the account book.

<u>The verification of the shipment with respect to the revenue from parts of certain customers</u>

Tainergy Tech. Co., Ltd. of the consolidated company mainly engages in the research, design, manufacturing and sales of solar cells, panels and related systems. Since we presumed that revenue recognition was a significant risk based on the materiality principle and the Statements on Auditing Standards, we considered that the occurrence of the sales revenue from parts of certain customers recognized by the Tainergy Tech. Co., Ltd. of the consolidated company was significant to the financial statements. Therefore, the verification of the shipment with respect to the revenue from parts of the certain customers was listed as the key audit matter of the year. Please refer to Note 4 for the description of revenue recognition policies.

We performed the following main audit procedures:

1. We knew and tested the design and implementation of the internal control related to the recognition of revenue from parts of certain customers.
2. We carried out population sampling for the revenue statements of the said parts of certain customers, reviewed relevant supporting documents, and examined the collection of payments to confirm the occurrence of sales transactions.
3. We reviewed any material sales returns and discounts occurring after the balance sheet date to make sure whether there was any material misstatement of the sales revenue from the parts of certain customers.

**Other matters**

For the separate financial statements prepared by Kenmec Mechanical Engineering Co., Ltd. in 2020 and 2019, we had an independent auditors' report issued with an unqualified opinion for reference.

**Responsibility of the management and governance unit for the consolidated financial statements**

The management was responsible for preparation of the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations and the statements of interpretation approved and released by the Financial Supervisory Commission and maintaining the necessary internal control related to preparation of the consolidated financial statements to ensure that the consolidated financial statements were free of material misstatement due to fraud or errors.

During preparation of the consolidated financial statements, the management was also responsible for evaluating Kenmec Group's ability as a going concern, disclosure of relevant matters, and application of the going concern basis of accounting unless the management intended to make Kenmec Group enter into liquidation or terminate its operations, or there were no other actual or feasible solutions other than liquidation or termination of its operations.

Kenmec Group's governance unit (including the Audit Committee) was responsible for supervising the financial reporting procedures.

**CPA's responsibility for the audit of the consolidated financial statements**

We audited the consolidated financial statements for the purpose of obtaining reasonable assurance about whether the consolidated financial statements were free of material misstatement due to fraud or error and issuing an audit report. Reasonable assurance refers to a high level of assurance. However, we could not guarantee the detection of all material misstatements in the consolidated financial statements with the audit conducted based on the generally accepted auditing standards. The misstatements might be due to fraud or error. If the individual or total amount misstated was reasonably expected to have an impact on the economic decision-making of the users of the consolidated financial statements, the misstatement was deemed material.

We used our professional judgment to be skeptical during the audit conducted based on the generally accepted auditing standards. We also performed the following works:

1. We identified and assessed the risk of any misstatement in the consolidated financial statements due to fraud or errors, designed and implemented response measures suitable for the evaluated risks, and acquired sufficient and appropriate audit evidence to use as the basis of our audit opinions. Fraud may involve collusion, forgery, omission on purpose, fraudulent statements or violation of internal control, and we did not find that the risk of material misstatement due to fraud was higher than the same due to error.
2. We understood the internal control related to the audit to an extent necessary to design audit procedures applicable to the current circumstances. However, the purpose of such work was not to express opinions regarding the effectiveness of Kenmec Group’s internal control.
3. We evaluated the appropriateness of the accounting policies adopted by the management and the rationality of the accounting estimates and relevant disclosure made by the management.
4. We drew a conclusion about the appropriateness of the application of the going concern basis of accounting by the management and whether the event or circumstances which might cause major doubts about Kenmec Group’s ability as a going concern had a material uncertainty. If any material uncertainty was deemed to exist in such event or circumstance, we must provide a reminder in the audit report for the users of the consolidated financial statements to pay attention to the relevant disclosures therein, or amend our audit opinions when such disclosures were inappropriate. Our conclusion was drawn based on the audit evidence acquired as of the date of this audit report. However, future events or circumstances might result in a situation where Kenmec Group, would no longer have its ability as a going concern.
5. We evaluated the overall presentation, structure, and contents of the consolidated financial statements (including the relevant notes) and whether the consolidated financial statements presented relevant transactions and events fairly.

6. We acquired sufficient and appropriate audit evidence for the financial information of the entities forming the Group to provide opinions regarding the consolidated financial statements. We were responsible for instruction, supervision and conduct of the Group’s audit cases, as well as the expression of the audit opinions for the Group.

The matters for which we communicated with the governance unit include the planned audit scope and time, as well as major audit findings (including the significant deficiencies of the internal control identified during the audit).

We also provided a declaration of independence to the governance unit, which assured that we complied with the requirements related to independence in the Norm of Professional Ethics for Certified Public Accountant, and communicated all relationships and other matters (including relevant protective measures) which we deemed to be likely to cause an impact on the independence of CPAs to the governance unit.

We determined the key audit matters to be audited in Kenmec Group consolidated financial statements in 2020 based on the matters communicated with the governance unit. We specified such matters in the audit report except when public disclosure of certain matters was prohibited by related laws or regulations, or in very exceptional circumstances, we determined not to cover such matters in the audit report as we could reasonably expect that the negative impact of the coverage would be greater than the public interest brought thereby.

Deloitte & Touche Taiwan

CPA LI-HUANG LI

Approval No. from the Securities and Futures Commission
Tai-Cai-Zheng-Liu-Zi No. 0930128050

CPA HUI-MING CHEN

Approval No. from the Securities and Futures Commission
Tai-Cai-Zheng-Liu-Zi No. 0920123784

March 26, 2021

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

December 31, 2020 and 2019

Unit: NTD thousand

| Code | Asset | December 31, 2020 Amount | % | December 31, 2019 Amount | % |
|---|---|---|---|---|---|
| | Current assets | | | | |
| 1100 | Cash and cash equivalents (Note 6) | $ 1,207,173 | 12 | $ 1,070,718 | 10 |
| 1110 | Financial assets measured at fair value through profit or loss – current (Note 7) | 331,014 | 3 | 113,592 | 1 |
| 1136 | Financial assets measured at amortized cost – current (Note 9) | 565,047 | 6 | 475,996 | 5 |
| 1140 | Contract assets – current (Notes 24 and 26) | 449,254 | 4 | 317,048 | 3 |
| 1150 | Notes receivable – the non-related parties (Note 10) | 49,325 | 1 | 61,032 | 1 |
| 1170 | Accounts receivable – non-related parties (Note 10) | 485,973 | 5 | 712,311 | 7 |
| 1200 | Other receivables (Note 10) | 34,042 | - | 31,085 | - |
| 1220 | Income tax assets in the current period (Note 28) | 9,169 | - | 4,900 | - |
| 130X | Inventory (Note 11) | 1,784,535 | 17 | 1,919,522 | 19 |
| 1421 | Prepayments (Note 18) | 163,491 | 2 | 137,849 | 1 |
| 1470 | Other current assets (Note 18) | 323,453 | 3 | 360,376 | 4 |
| 11XX | Total current assets | 5,402,476 | 53 | 5,204,429 | 51 |
| | Non-current assets | | | | |
| 1510 | Financial assets measured at fair value through profit or loss – non-current (Note 7) | 44,141 | 1 | 48,631 | 1 |
| 1517 | Financial assets measured at fair value through other comprehensive income – non-current (Note 8) | 28,145 | - | 36,062 | - |
| 1535 | Financial assets measured at amortized cost – non-current (Note 9) | 28,539 | - | 90,592 | 1 |
| 1550 | Investment under the equity method (Note 13) | 1,685 | - | - | - |
| 1600 | Property, plants, and equipment (Note 14) | 3,308,834 | 32 | 3,234,084 | 32 |
| 1755 | Right-of-use assets (Note 15) | 278,111 | 3 | 238,696 | 2 |
| 1760 | Investment Property (Note 16) | 450,396 | 5 | 478,269 | 5 |
| 1780 | Other intangible assets (Note 17) | 24,833 | - | 25,557 | - |
| 1840 | Deferred income tax assets (Note 28) | 244,566 | 2 | 229,898 | 2 |
| 1915 | Prepayment for equipment (Note 18) | 15,706 | - | 210,371 | 2 |
| 1920 | Guarantee deposits paid (Note 18) | 232,687 | 2 | 225,132 | 2 |
| 1990 | Other non-current assets (Notes 10,18 and 23) | 191,404 | 2 | 220,547 | 2 |
| 15XX | Total non-current assets | 4,849,047 | 47 | 5,037,839 | 49 |
| 1XXX | Total assets | $ 10,251,523 | 100 | $ 10,242,268 | 100 |

| Code | Liabilities and equity | December 31, 2020 Amount | % | December 31, 2019 Amount | % |
|---|---|---|---|---|---|
| | Current liabilities | | | | |
| 2100 | Short-term loans (Note 19) | $ 980,028 | 10 | $ 757,846 | 7 |
| 2130 | Contract liabilities – current (Notes 24 and 26) | 747,930 | 7 | 529,500 | 5 |
| 2150 | Notes payable – the non-related party (Note 20) | 162,121 | 2 | 74,941 | 1 |
| 2170 | Accounts payable – the non-related party (Note 20) | 481,606 | 5 | 425,962 | 4 |
| 2200 | Other payables (Note 21) | 867,142 | 9 | 761,960 | 8 |
| 2230 | Current income tax liabilities (Note 28) | 15,927 | - | - | - |
| 2250 | Liability reserve – current (Note 22) | 30,679 | - | 39,417 | - |
| 2280 | Lease liabilities – current (Note 15) | 26,835 | - | 12,539 | - |
| 2320 | Long-term liabilities due within a year (Note 19) | 229,868 | 2 | 323,877 | 3 |
| 2399 | Other current liabilities (Note 21) | 19,665 | - | 58,445 | 1 |
| 21XX | Total current liabilities | 3,561,801 | 35 | 2,984,487 | 29 |
| | Non-current liabilities | | | | |
| 2540 | Long-term loans (Note 19) | 760,485 | 7 | 945,776 | 9 |
| 2550 | Liability reserve – non-current (Note 22) | 2,575 | - | 7,459 | - |
| 2570 | Deferred income tax liabilities (Note 28) | 57,507 | - | 56,951 | 1 |
| 2580 | Lease liabilities – non-current (Note 15) | 84,046 | 1 | 47,177 | 1 |
| 2630 | Long-term deferred income (Notes 21 and 30) | 110,393 | 1 | 137,839 | 1 |
| 2640 | Net defined benefit liabilities – non-current (Note 23) | 93,177 | 1 | 99,796 | 1 |
| 2670 | Other non-current liabilities (Note 21) | 279,420 | 3 | 104,627 | 1 |
| 25XX | Total non-current liabilities | 1,387,603 | 13 | 1,399,625 | 14 |
| 2XXX | Total liabilities | 4,949,404 | 48 | 4,384,112 | 43 |
| | Equity attributable to the owner of the company (Note 25) | | | | |
| 3110 | Common stock capital | 2,490,112 | 24 | 2,490,112 | 24 |
| 3200 | Capital reserve | 903,455 | 9 | 887,095 | 9 |
| | Retained earnings | | | | |
| 3310 | Legal reserve | 134,786 | 2 | - | - |
| 3320 | Special reserve | 328,572 | 3 | 119,346 | 1 |
| 3350 | Undistributed earnings | 419,348 | 4 | 1,347,856 | 13 |
| 3300 | Total retained earnings | 882,706 | 9 | 1,467,202 | 14 |
| | Other equity | | | | |
| 3410 | Exchange differences in the financial statement translation of the foreign operation | ( 264,268 ) | ( 3 ) | ( 265,996 ) | ( 3 ) |
| 3420 | Unrealized profit/loss on valuation of financial assets measured at fair value through other comprehensive income | ( 14,649 ) | - | ( 6,731 ) | - |
| 3400 | Total of other equity | ( 278,917 ) | ( 3 ) | ( 272,727 ) | ( 3 ) |
| 3500 | Treasury stock | - | - | ( 31,113 ) | - |
| 31XX | Total equity of the Company's owner | 3,997,356 | 39 | 4,540,569 | 44 |
| 36XX | Non-controlling equity (Notes 25 and 32) | 1,304,763 | 13 | 1,317,587 | 13 |
| 3XXX | Total equity | 5,302,119 | 52 | 5,858,156 | 57 |
| | Total liabilities and equity | $ 10,251,523 | 100 | $ 10,242,268 | 100 |

The attached notes are part of the consolidated financial statements.

Chairman: CHING-FU HSIEH President: CHING-FU HSIEH Accounting Manager: CHIN-I LAI

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Consolidated Statement of Comprehensive Income

January 1 to December 31, 2020 and 2019

Unit: NTD thousand; earnings (loss) per share: NTD dollar

| Code | | 2020 Amount | 2020 % | 2019 Amount | 2019 % |
|---|---|---|---|---|---|
| | Operating revenue | | | | |
| 4100 | Operating revenue (Note 26) | $ 4,298,290 | 100 | $ 4,363,773 | 100 |
| | Operating cost | | | | |
| 5110 | Operating cost (Note 11) | ( 3,761,303 ) | ( 87 ) | ( 4,042,566 ) | ( 93 ) |
| 5900 | Gross profit | 536,987 | 13 | 321,207 | 7 |
| | Operating expenses (Notes 27 and 36) | | | | |
| 6100 | Marketing expense | ( 132,714 ) | ( 3 ) | ( 125,714 ) | ( 3 ) |
| 6200 | Administrative expense | ( 451,939 ) | ( 11 ) | ( 675,903 ) | ( 15 ) |
| 6300 | R&D expense | ( 107,507 ) | ( 2 ) | ( 101,833 ) | ( 2 ) |
| 6450 | Expected credit impairment gains (losses) | 1,849 | - | ( 161,623 ) | ( 4 ) |
| 6000 | Total operating expenses | ( 690,311 ) | ( 16 ) | ( 1,065,073 ) | ( 24 ) |
| 6900 | Operating loss – net | ( 153,324 ) | ( 3 ) | ( 743,866 ) | ( 17 ) |
| | Non-operating revenue and expenses (Notes 13,27 and 36) | | | | |
| 7100 | Interest income | 12,641 | - | 13,701 | 1 |
| 7010 | Other revenue | 166,113 | 4 | 92,943 | 2 |
| 7020 | Other profits and losses | ( 51,803 ) | ( 1 ) | 1,709,763 | 39 |
| 7050 | Financial costs | ( 76,908 ) | ( 2 ) | ( 93,018 ) | ( 2 ) |
| 7060 | The share of the profit or loss of affiliated companies, joint ventures that adopt equity method | 153 | - | - | - |
| 7000 | Total non-operating revenue and expenses | 50,196 | 1 | 1,723,389 | 40 |
| 7900 | Net profit (loss) before tax | ( 103,128 ) | ( 2 ) | 979,523 | 23 |
| 7950 | Tax benefits (Note 28) | 3,503 | - | 15,573 | - |
| 8200 | Net profit (loss) in the current year | ( 99,625 ) | ( 2 ) | 995,096 | 23 |

(Next page)

(Continued from previous page)

| Code | | 2020 Amount | 2020 % | 2019 Amount | 2019 % |
|---|---|---|---|---|---|
| | Other comprehensive income | | | | |
| | Titles not reclassified to profit or loss: | | | | |
| 8311 | Remeasurement of the defined benefit plan (Note 23) | $ 5,235 | - | $ 6,516 | - |
| 8316 | Unrealized profit/loss on valuation of investment in equity instruments measured at fair value through other comprehensive income (Note 25) | ( 7,917 ) | - | 9,452 | - |
| 8349 | Income related to titles not reclassified (Note 28) | ( 970 ) | - | ( 1,165 ) | - |
| 8310 | | ( 3,652 ) | - | 14,803 | - |
| | Titles likely to be reclassified as profit or loss subsequently: | | | | |
| 8361 | Exchange differences in the financial statement translation of the foreign operation (Note 25) | ( 29,656 ) | ( 1 ) | ( 116,563 ) | ( 3 ) |
| 8399 | Income tax related to titles potentially being reclassified (Note 28) | 355 | - | 15,016 | 1 |
| 8360 | | ( 29,301 ) | ( 1 ) | ( 101,547 ) | ( 2 ) |
| 8300 | Other comprehensive income (after tax) in the year | ( 32,953 ) | ( 1 ) | ( 86,744 ) | ( 2 ) |
| 8500 | Total comprehensive income in the current year | ( $ 132,578 ) | ( 3 ) | $ 908,352 | 21 |
| | Net profit (loss) attributable to: | | | | |
| 8610 | The owner of the Company | ( $ 97,152 ) | ( 2 ) | $ 1,345,203 | 31 |
| 8620 | Non-controlling equity | ( 2,473 ) | - | ( 350,107 ) | ( 8 ) |
| 8600 | | ( $ 99,625 ) | ( 2 ) | $ 995,096 | 23 |
| | Total comprehensive income attributable to: | | | | |
| 8710 | The owner of the Company | ( $ 98,292 ) | ( 2 ) | $ 1,300,205 | 30 |
| 8720 | Non-controlling equity | ( 34,286 ) | ( 1 ) | ( 391,853 ) | ( 9 ) |
| 8700 | | ( $ 132,578 ) | ( 3 ) | $ 908,352 | 21 |
| | Earnings (loss) per share (Note 29) | | | | |
| 9750 | Basic | ( $ 0.39 ) | | $ 5.47 | |

| | | | |
|---|---|---|---|
| 9850 | Diluted | ($ 0.39) | $ 5.37 |

The attached notes are part of the consolidated financial statements.

Chairman: CHING-FU HSIEH President: CHING-FU HSIEH Accounting Manager: CHIN-I LAI

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Shareholders' Equity

January 1 to December 31, 2020 and 2019

Unit: NTD thousand

| | | Equity attributable to the owner of the Company | | | | | | | | | | Non-controlling equity | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | | | Retained earnings | | | Other equities | | | | | |
| Code | | Number of shares (thousand shares) | Common stock capital | Capital reserve | Legal reserve | Special reserve | (Losses to be covered) Undistributed earnings | Exchange differences in the financial statement translation of the foreign operation | Unrealized profit/loss on valuation of financial assets measured at fair value through other comprehensive income | Treasury stock | Total | | |
| A1 | Balance on January 1, 2019 | 249,011 | $ 2,490,112 | $ 961,723 | $ - | $ 343,600 | ( $ 224,254 ) | ( $ 198,840 ) | ( $ 16,325 ) | ( $ 26,282 ) | $ 3,329,734 | $ 1,741,076 | $ 5,070,810 |
| | Allocation and distribution of earnings in 2018 | | | | | | | | | | | | |
| B15 | Special reserves for offsetting losses | - | - | - | - | ( 224,254 ) | 224,254 | - | - | - | - | - | - |
| | Other changes in capital reserves: | | | | | | | | | | | | |
| C15 | Disbursement of cash dividends from capital reserves | - | - | ( 123,116 ) | - | - | - | - | - | - | ( 123,116 ) | - | ( 123,116 ) |
| M5 | Actual acquisition of partial equity in subsidiaries | - | - | 15,278 | - | - | - | ( 7,099 ) | 142 | - | 8,321 | ( 8,321 ) | - |
| M7 | Changes in equity ownership in subsidiaries | - | - | 19,312 | - | - | ( 2,954 ) | - | - | - | 16,358 | ( 16,358 ) | - |
| D1 | 2019 net profit | - | - | - | - | - | 1,345,203 | - | - | - | 1,345,203 | ( 350,107 ) | 995,096 |
| D3 | Other comprehensive income after tax in 2019 | - | - | - | - | - | 5,607 | ( 60,057 ) | 9,452 | - | ( 44,998 ) | ( 41,746 ) | ( 86,744 ) |
| D5 | Total comprehensive income in 2019 | - | - | - | - | - | 1,350,810 | ( 60,057 ) | 9,452 | - | 1,300,205 | ( 391,853 ) | 908,352 |
| N1 | Employee stock options | - | - | 13,898 | - | - | - | - | - | 66,202 | 80,100 | - | 80,100 |
| L1 | Purchase of treasury stock | - | - | - | - | - | - | - | - | ( 71,033 ) | ( 71,033 ) | - | ( 71,033 ) |
| O1 | Changes in non-controlling equity (Note 32) | - | - | - | - | - | - | - | - | - | - | ( 6,957 ) | ( 6,957 ) |
| Z1 | Balance on December 31, 2019 | 249,011 | 2,490,112 | 887,095 | - | 119,346 | 1,347,856 | ( 265,996 ) | ( 6,731 ) | ( 31,113 ) | 4,540,569 | 1,317,587 | 5,858,156 |
| | Allocation and distribution of earnings in 2019 | | | | | | | | | | | | |
| B1 | Legal reserve | - | - | - | 134,786 | - | ( 134,786 ) | - | - | - | - | - | - |
| B3 | Special reserve | - | - | - | - | 209,226 | ( 209,226 ) | - | - | - | - | - | - |
| B5 | Cash dividend for shareholders | - | - | - | - | - | ( 492,022 ) | - | - | - | ( 492,022 ) | - | ( 492,022 ) |
| | Other changes in capital reserves: | | | | | | | | | | | | |
| M5 | Actual acquisition or disposal of partial equity in subsidiaries | - | - | 54 | - | - | - | ( 371 ) | ( 1 ) | - | ( 318 ) | 318 | - |
| M7 | Changes in equity ownership in subsidiaries | - | - | 12 | - | - | - | - | - | - | 12 | ( 12 ) | - |
| D1 | Net profit in 2020 | - | - | - | - | - | ( 97,152 ) | - | - | - | ( 97,152 ) | ( 2,473 ) | ( 99,625 ) |
| D3 | Other comprehensive income after tax in 2020 | - | - | - | - | - | 4,678 | 2,099 | ( 7,917 ) | - | ( 1,140 ) | ( 31,813 ) | ( 32,953 ) |
| D5 | Total comprehensive income in 2020 | - | - | - | - | - | ( 92,474 ) | 2,099 | ( 7,917 ) | - | ( 98,292 ) | ( 34,286 ) | ( 132,578 ) |
| N1 | Employee stock options | - | - | 16,294 | - | - | - | - | - | 45,881 | 62,175 | 88 | 62,263 |
| L1 | Purchase of treasury stock | - | - | - | - | - | - | - | - | ( 14,768 ) | ( 14,768 ) | - | ( 14,768 ) |
| O1 | Changes in non-controlling equity (Note 32) | - | - | - | - | - | - | - | - | - | - | 21,068 | 21,068 |
| Z1 | Balance on December 31, 2020 | 249,011 | $ 2,490,112 | $ 903,455 | $ 134,786 | $ 328,572 | $ 419,348 | ( $ 264,268 ) | ( $ 14,649 ) | $ - | $ 3,997,356 | $ 1,304,763 | $ 5,302,119 |

The attached notes are part of the consolidated financial statements.

Chairman: CHING-FU HSIEH President: CHING-FU HSIEHH Accounting Manager: CHIN-I LAI

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Consolidated Statement of Cash Flow

January 1 to December 31, 2020 and 2019

Unit: NTD thousand

| Code | | 2020 | 2019 |
|---|---|---|---|
| | Cash flow from operating activities | | |
| A10000 | Net profit (loss) before tax in the year | ($ 103,128) | $ 979,523 |
| A20010 | Profit and expense/loss: | | |
| A20100 | Depreciation expense | 459,331 | 618,454 |
| A20200 | Amortization expense | 7,875 | 5,272 |
| A20300 | Expected credit (reversal profit) impairment loss | ( 1,849) | 161,623 |
| A20400 | Net loss on financial assets and liabilities measured at fair value through profit or loss | 2,940 | 4,531 |
| A20900 | Financial cost | 76,908 | 93,018 |
| A21200 | Interest income | ( 12,641) | ( 13,701) |
| A21300 | Dividend income | ( 1,811) | ( 2,615) |
| A21900 | Compensation cost of employee stock options | 16,510 | 14,102 |
| A22300 | The share of the profit or loss of affiliated companies, joint ventures that adopt equity method | ( 153) | - |
| A22500 | Loss (profit) on disposal of property, plants, and equipment | 325 | ( 1,989,511) |
| A23200 | Loss on disposal of subsidiaries | 50,196 | - |
| A23700 | Impairment loss from non-financial assets | 5,210 | 370,080 |
| A23800 | Profit on reversal of impairment loss from non-financial assets | ( 39,236) | - |
| A29900 | Reversal of deferred income | ( 28,326) | ( 23,156) |
| A22900 | Profit (loss) on lease modification | ( 62) | ( 1,991) |
| A30000 | Net changes in operating assets and liabilities | | |
| A31125 | Contract assets | ( 139,079) | ( 297,089) |
| A31130 | Notes receivable | 11,707 | 76,777 |
| A31150 | Accounts receivable | 200,020 | 65,329 |
| A31180 | Other receivables | ( 18,601) | 7,013 |
| A31200 | Inventory | 161,564 | 145,300 |
| A31230 | Prepayments | ( 22,129) | 46,646 |
| A31240 | Other current assets | 32,723 | 76,080 |
| A31990 | Other non-current assets | 44,448 | ( 32,658) |
| A32110 | Financial liabilities held for trading | - | ( 1,046) |

| | | | |
|---|---|---|---|
| A32125 | Contract liabilities | 218,430 | 59,166 |
| A32130 | Notes payable | 87,180 | ( 61,442 ) |

(Next page)

(Continued from previous page)

| Code | | 2020 | 2019 |
|---|---|---|---|
| A32150 | Accounts payable | $ 55,644 | ($ 157,919) |
| A32180 | Other payables | ( 99,590) | 7,694 |
| A32200 | Liability reserve | ( 13,622) | 7,556 |
| A32230 | Other current liabilities | ( 5,535) | 48,380 |
| A32240 | Net defined benefit liabilities | ( 1,689) | ( 1,637) |
| A32990 | Deferred income | - | ( 1,786) |
| A33000 | Cash generated from operations | 943,560 | 201,993 |
| A33100 | Interest received | 13,804 | 10,917 |
| A33300 | Interest paid | ( 77,049) | ( 93,379) |
| A33500 | Income tax paid | ( 204) | ( 2,974) |
| AAAA | Net cash inflow from operating activities | 880,111 | 116,557 |
| | Cash flows from investing activities | | |
| B00040 | Acquisition of financial assets measured at amortized cost | ( 76,620) | ( 350,311) |
| B00100 | Acquisition of financial assets designated to be measured at fair value through profit or loss | ( 1,670,042) | ( 1,643,308) |
| B00200 | Disposal of financial assets designated to be measured at fair value through profit or loss | 1,454,170 | 1,749,345 |
| B01800 | Acquisition of associates | ( 1,532) | - |
| B01900 | Net cash inflow from disposal of subsidiaries | 248,472 | - |
| B02000 | Increase in prepayment for investments | ( 15,000) | - |
| B02700 | Purchase of property, plants, and equipment | ( 714,308) | ( 215,308) |
| B02800 | Disposal of property, plant, and equipment | 6,649 | 2,588,529 |
| B03700 | Increase in refundable deposit | ( 7,555) | ( 114,899) |
| B04200 | Decrease in other receivables | 12,298 | 4,644 |
| B04500 | Purchase of intangible assets | ( 7,151) | ( 22,950) |
| B05400 | Acquisition of right-of-use assets | ( 1,077) | ( 17,142) |
| B07600 | Dividend received | 1,811 | 2,615 |
| B07100 | Increase in prepayments for equipment | ( 9,805) | ( 311,397) |
| B07700 | Payment of Land incremental tax | - | ( 83,256) |
| BBBB | Net cash inflow (outflow) from investing activities | ( 779,690) | 1,586,562 |
| | Cash flows from financing activities | | |
| C00100 | Increase in short-term loans | 222,182 | - |
| C00200 | Decrease in short-term loans | - | ( 787,004) |
| C01600 | Borrowing of long-term loan | 529,180 | 378,724 |
| C01700 | Repayment of long-term loans | ( 414,606) | ( 1,328,993) |

| | | | |
|---|---|---|---|
| C03000 | Increase in guarantee deposits received | 174,793 | 14,329 |
| C04200 | Repayment of the principal of leases | ( 14,277 ) | ( 15,118 ) |

(Next page)

(Continued from previous page)

| Code | | 2020 | 2019 |
|---|---|---|---|
| C04500 | Payment of dividends to the owner of the Company | ($ 492,022) | ($ 123,116) |
| C04800 | Purchase of treasury stocks | ( 14,768) | ( 71,033) |
| C04900 | Payment of treasury stock trading cost | ( 137) | ( 199) |
| C05100 | Employee treasury stock options | 45,890 | 66,197 |
| C05800 | Changes in non-controlling equity (Note 32) | 21,068 | ( 6,957) |
| CCCC | Net cash inflow (outflow) from financing activities | 57,303 | ( 1,873,170) |
| DDDD | Effect of exchange rate changes on cash and cash equivalents | ( 21,269) | ( 30,812) |
| EEEE | Net increase (decrease) in cash and cash equivalents | 136,455 | ( 200,863) |
| E00100 | Balance of cash and cash equivalents – beginning of year | 1,070,718 | 1,271,581 |
| E00200 | Balance of cash and cash equivalents – ending of year | $ 1,207,173 | $ 1,070,718 |

The attached notes are part of the consolidated financial statements.

Chairman: CHING-FU HSIEH President: CHING-FU HSIEH Accounting Manager: CHIN-I LAI

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

January 1 to December 31, 2020 and 2019

(All amounts are in NTD thousand unless otherwise specified.)

I. Company History

KENMEC MECHANICAL ENGINEERING CO., LTD. (hereinafter referred to as the Company) was established in July 1976 focusing on the design, machining, manufacturing and trading of industrial machines and steel angle frames; import and export of machinery, hardware, office equipment, and electric machinery; machining, manufacturing and trading of transfer lines, robot production lines, flexible manufacturing systems, automatic conveyors, automatic pallet stackers, automatic warehousing equipment, unmanned trucks, and robotic arms; manufacturing, machining and trading of computer and optical communication products and their components; agent of domestic and foreign manufacturers for manufacturing, trading, quoting and bidding of the aforementioned products.

The Company has traded on Taipei Exchange as of January 23, 2002.

The consolidated financial statements were stated in the Company's functional currency, NTD.

II. Approval date and procedures of the financial statements

The consolidated financial statements were approved at the board meeting on March 19, 2021.

III. New Standards, Amendments, and Interpretations Adopted

(I) he International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations (IFRIC) and the statements of interpretation (SIC) (hereinafter collectively referred to as "IFRSs") approved and released by the Financial Supervisory Commission (hereinafter referred to as "FSC") are applied for the first time.

Apart from those described below, the Company expected no material changes to the accounting policies of the consolidated company after adopting the amended IFRSs approved and released by the FSC:

Amendments to IAS 1 and IAS 8, "Definition of Material"

The consolidated company's adoption of the amendments and the use of the standard of "it can be reasonably expected to affect the users" for determination of materiality started on January 1, 2020. The consolidated company also adjusted the disclosure of consolidated financial statements and deleted any immaterial information that may blur material information.

(II) FSC-approved IFRSs to be applied in 2021

| New/Amended/Revised Standards and Interpretations | Effective Date per IASB |
|---|---|
| Amendments to IFRS 4, "Extension of the Temporary Exemption from Applying IFRS 9" | Effective as of announcement date |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, "Interest Rate Benchmark Reform – Phase 2" | Effective during the annual reporting periods beginning on or after January 1, 2021 |
| Amendments to IFRS 16, "Covid-19-Related Rent Concessions" | Annual reporting periods beginning on or after Monday, June 1, 2020 |

Amendments to IFRS 16, "Covid-19-Related Rent Concessions"

As for amendments to IFRS 16, "Covid-19-Related Rent Concessions," when entering into a rent agreement directly related to COVID-19 with the lessor, the consolidated company may select practical expedients and recognize the reduced lease payment in profit or loss at the time when the concession event or situation occurs and reduce the lease liabilities accordingly.

The consolidated company did not have any aforementioned rent agreement in 2020. However, the Company will select the aforementioned practices if such agreement occurs in 2021.

(III) IFRSs issued by the IASB but not yet approved and released by the FSC

| New/Amended/Revised Standards and Interpretations | Effective Date per IASB (Note 1) |
|---|---|
| "Annual improvements 2018 to 2020 Cycle" | Saturday, January 1, 2022 (Note 2) |
| Amendments to IFRS 3, "Updating a Reference to the Conceptual Framework" | Saturday, January 1, 2022 (Note 3) |
| Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | Undetermined |
| IFRS 17 "Insurance Contracts" | Sunday, January 1, 2023 |
| Amendments to IFRS 17 | Sunday, January 1, 2023 |
| Amendments to IAS 1, "Classification of Liabilities as Current or Non-current" | Sunday, January 1, 2023 |
| Amendments to IAS 1, "Disclosure of Accounting Policies" | Sunday, January 1, 2023 (Note 6) |
| Amendments to IAS 8, "Definition of Accounting Estimates" | Sunday, January 1, 2023 (Note 7) |

| | |
|---|---|
| Amendments to IAS 16, "Property, Plant and Equipment: Proceeds before Intended Use" | Saturday, January 1, 2022 (Note 4) |
| Amendments to IAS 37, "Onerous Contracts – Cost of Fulfilling a Contract" | Saturday, January 1, 2022 (Note 5) |

Note 1: Unless otherwise specified, the above-mentioned new/ amended/ revised standards or interpretation shall become effective in the annual reporting periods beginning on or after each effective date for such standards or interpretations.

Note 2: The amendments to IFRS 9 shall apply to the exchange of financial liabilities or amendments of clauses occurring during the annual reporting period beginning on or after January 1, 2022; the amendments to IAS 41, "Agriculture," shall apply to the measurements at fair value during the annual reporting period beginning on or after January 1, 2022; the amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards," shall apply retrospectively to the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendment will be applied to business mergers with an acquisition date during annual reporting periods beginning on or after January 1, 2022.

Note 4: The amendment is applied to the plants, property and equipment in the location and condition necessary to achieve the operation as expected by the management after January 1, 2021.

Note 5: The amendment will be applied to the contracts in which all the obligations have not been performed on January 1, 2022.

Note 6: The amendment will be prospectively applied to annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendment will be applied to the changes in accounting estimates and accounting policies during annual periods beginning on or after January 1, 2023.

1. Amendment to IAS 1, "Classification of Liabilities as Current or Non-current"

The amendment specifies that when determining whether liabilities are classified as non-current liabilities, it shall be assessed whether the consolidated company, at the end of a reporting period, has a right to extend the due date of the liabilities by at least 12 months after the reporting period. If the consolidated company has such right at the end of the reporting period, the liabilities are classified as non-current liabilities no matter whether the consolidated company is expected to exercise the right. The amendment clarifies that if the consolidated company shall complete certain requirements to have the right to defer the settlement of liabilities, the consolidated company must have followed the requirements before the end of a reporting period; the same shall apply even if the lender checks the consolidated company's compliance with such requirements on a later date.

The amendment regulates that, for the purpose of liability classification, the aforementioned settlement of liabilities refers to a transfer of cash, other economic resources or the consolidated company's equity instruments to the counterpart to eliminate the liabilities. However, if the terms and conditions of liabilities may, at the option of the counterparty, result in settlement of the liabilities by the transfer of the consolidated company's equity instruments, and the option is recognized as equity separately in accordance with IAS 32 "Financial Instruments: Presentation," the aforementioned terms and conditions do not affect the classification of the liabilities.

2. Amendments to IAS 16, "Property, Plant and Equipment: Proceeds before Intended Use"

The amendment stipulates that it is inappropriate that the sale proceeds of the items developed in order to bring property, plant and equipment to the location and condition necessary to meet the operation as expected by the management are stated as a deduction from the cost of the assets. The items mentioned above shall be measured based on IAS 2 "Inventory," and the sale proceeds and costs of such items shall be recognized as profit or loss according to the applicable standards.

The amendment is applied to the plants, property and equipment in the location and condition necessary to achieve the operation as expected by the management after January 1, 2021. If the consolidated company adopts the amendment for the first time, the information related to the comparative periods shall be restated.

3. Amendments to IAS 37, "Onerous Contracts – Cost of Fulfilling a Contract"

The amendment specifies that when assessing whether a contract is onerous, "costs of fulfilling the contract" shall include any additional costs (e.g. direct labor and material costs) for performing the contract and the amortization expenses of other costs directly related to the performance of the contract (e.g. amortized depreciation expenses of the property, plant, and equipment used during the fulfillment of the contract).

When the consolidated company adopts the amendment for the first time, the accumulated effect will be recognized as retained earnings on the date of first-time adoption.

4. Amendments to IAS 1, "Disclosure of Accounting Policies"

The amendments require the consolidated company to determine the significant accounting policy information to be disclosed according to the definition of materiality. If the accounting policy information is reasonably expected to have an impact on the decision made by the main user of general-purpose financial statements who uses these financial statements to make such decision, the accounting policy information is deemed material. The amendments also clarify the following:

- The accounting policy information related to insignificant transactions or other matters or circumstances is not material and the consolidated company is not required to disclose this accounting policy.
- The consolidated company may make judgment according to the nature of a transaction or other matters or circumstances and determine that related accounting policy information is material, even if the amount is insignificant.
- The accounting policy information not related to significant transactions or other matters or circumstances is material.

In addition, the amendments give an example to explain that the accounting policy information related to significant transactions or other matters or circumstances may be material in the following cases:

(1) The consolidated company changes the accounting policy during the reporting period and the change leads to material changes of the information in the financial statements;

(2) The consolidated company selects applicable accounting policies from the options allowed in the Standards;

(3) In case there is no specific standards to follow, the consolidated company adopts the accounting policies established according to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";

(4) The consolidated company discloses the accounting policies that are determined using significant judgments or assumptions; or

(5) Complicated accounting treatment rules are involved and the user of the financial statements relies on the information to understand significant transactions or other matters or circumstances.

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

The amendments define accounting estimates as the currency amount affected by measurement uncertainty in the financial statements. When applying accounting policies, the consolidated company may need to measure the items in the financial statements using the currency amount that cannot be observed directly and must be estimated. When measuring the effect of the changes in technique or input value on accounting estimates, they shall be the changes in accounting estimates if they are not the correction of the previous errors.

Except for the above-mentioned effects, up to the approval and release date of the consolidated financial statements, the consolidated company assessed the effects of the amendments to other standards and interpretation on the financial position and performance on a continuous basis. The relevant effects would be disclosed after the assessment.

## IV. Summary of Significant Accounting Policies

### (I) Statement of compliance

The consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs approved and released by the FSC.

### (II) Basis for preparation

Except for the financial instruments measured at fair value and the net defined benefit liabilities recognized at the present value of defined benefit obligations less the fair value of the planned assets, the consolidated financial statements were prepared on the basis of historical cost.

Fair value measurements are classified into Level 1, 2 and 3 based on the degree to which an input is observable and the significance of the input:

1. Level 1 inputs: refer to quoted prices in an active market for identical assets or liabilities that are accessible on the measurement date (before adjustment).

2. Level 2 inputs: refer to the inputs, other than the quoted prices included in Level 1, that are observable for assets or liabilities directly (namely, the price) or indirectly (namely, presumed from the price).
3. Level 3 inputs: refer to the inputs that are not observable for assets or liabilities.

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

Current assets include:

1. assets held mainly for the purpose of trading;
2. assets expected to be realized within 12 months after the balance sheet date; and
3. cash or cash equivalents (excluding those that are restricted for being used for exchange or settlement of liabilities within 12 months after the balance sheet date).

Current liabilities include:

1. liabilities held mainly for the purpose of trading;
2. liabilities to be settled within 12 months after the balance sheet date, (irrelevant with whether any long-term refinancing or payment rearrangement agreement has been completed after the balance sheet date but before the date of release of financial statements; such liabilities are still current liabilities); and
3. liabilities whose due date cannot be unconditionally extended by more than 12 months after the balance sheet date. However, the terms and conditions of the liabilities that may, at the option of the counterparty, result in settlement of the liabilities by issuance of equity instruments do not affect the classification of liabilities.

Assets or liabilities that are not the above-mentioned current assets or current liabilities are classified as non-current assets or non-current liabilities.

The consolidated company engages in the constructions with an operating cycle longer than one year. Therefore, the assets and liabilities related to the constructions are classified as current or non-current based on the normal operating cycle.

(IV) Basis for consolidation

The consolidated financial statements are financial statements including the Company and the entities controlled (subsidiaries, including structured entities). The operating profits and losses of acquired or disposed subsidiaries from the acquisition date to the disposal date in the current period are included in the consolidated statement of comprehensive income. The financial statements of the subsidiaries are adjusted to have their accounting policies be consistent with those of the consolidated company. All the transactions, account balances, profits, and expenses/losses between entities are eliminated during preparation of the consolidated financial statements. The total comprehensive income of the subsidiaries is attributable to the owner of the Company and the non-controlling equity even though this results in the non-controlling equity having a deficit balance.

Changes to the consolidated company's equity ownership in the subsidiaries are treated as equity transactions if the changes do not result in loss of control. The book values of the consolidated company and the non-controlling equity are adjusted to reflect the changes in their relative equity in the subsidiaries. The difference between the adjusted amount of the non-controlling equity and the fair value of any paid or received consideration is directly recognized as equity and attributable to the owner of the Company.

For the subsidiaries' details, shareholding ratios, and business operations, please refer to Note 12 and Table 9 and 10.

(V) Foreign currency

During preparation of each entity's financial statements, transactions using currencies other than the entity's functional currency (foreign currencies) are stated in the functional currency at the exchange rate on the date of transaction.

Monetary items in foreign currencies were translated at the closing exchange rate on each balance sheet date. Exchange differences arising from settlement or translation of the monetary items were recognized in the profit or loss of the period.

The non-monetary items in foreign currency measured at fair value were converted at the exchange rates quoted on the date on which the fair value was determined while the exchange differences generated were recognized in the current profit or loss. However, when the change in the fair value was recognized into other comprehensive income, the exchange difference so incurred was recognized in other comprehensive income.

The non-monetary items measured at historical costs were converted based on the exchange rate quoted on the date of transaction and were not converted anew.

During preparation of the consolidated financial statements, the assets and liabilities of foreign operations (including the subsidiaries, associates, joint ventures or branches with countries in which they operate or currencies they use different from those of the Company) are translated into NTD at the exchange rate on each balance sheet date. Their profit and expense/loss items were translated at the average exchange rate of the period, and the exchange differences resulting therefrom were recognized in other comprehensive income (and attributable respectively to the owner of the Company and the non-controlling equity).

If the consolidated company disposes all the interests of foreign operations or disposes their partial interest in a subsidiary and lose the control thereover, or the retained equity interest after disposal of the joint agreements or associates of the foreign operations is stated as financial assets and treated with the same accounting policy as the one for financial instruments, all the accumulated exchange differences attributable to the owner of the Company and related to the foreign operations are reclassified as profit or loss.

When partial disposal of the subsidiary of the foreign operations does not lead to loss of control, any accumulated exchange differences are reattributed in proportion to the subsidiary's non-controlling equity but not recognized as profit or loss. For any other partial disposal of foreign operations, any accumulated exchange differences are reclassified as profit or loss based on the proportion of the disposal.

(VI) Inventory

Inventory includes raw materials, materials, finished goods work in process, and real estate held for sale. The inventory is measured based on the lower of the cost or net realizable value. The cost and the net realizable value are compared on the basis of the individual items except for the inventories of the same type. Net realizable value refers to the estimated selling price in a normal situation less the estimated cost needed to complete the work and the estimated cost needed to complete the sale. The weighted average method is used to calculate the inventory cost.

(VII) Investment in associates and joint ventures

An associate refers to a company over which the consolidated company has a significant influence, but it is not a subsidiary or joint venture.

The consolidated company adopts the equity method for investment in associates

Under the equity method, the investment in associates is initially recognized at its costs, and the amount of increase or decrease in the book value of such investment after the date of acquisition depends on the consolidated company's shares of profit/loss and other comprehensive income in the associates and joint ventures and the distributed profits. In addition, changes to the consolidated company's equity in the associates are recognized based on our shareholding ratio.

When the acquisition cost exceeds the consolidated company’s shares of the net fair value of the associates’ identifiable assets and liabilities on the date of acquisition, such excess is recognized in goodwill which is included in the book value of such investment and may not be amortized; when the consolidated company’s shares of the net fair value of the associates’ identifiable assets and liabilities on the date of acquisition exceed the acquisition cost, such excess is recognized in profit/loss of the period.

When the consolidated company does not subscribe for new shares issued by the associates based on our shareholding ratio, resulting in changes to the shareholding ratio and consequently to the net equity value of investment, these changes are used for adjustment of the capital reserve – changes in the net equity of associates and joint ventures recognized under the equity method and the investments under equity method. However, if subscription or acquisition of the shares is not based on the shareholding ratio, leading to a decrease in the consolidated company’s ownership equity in the associates, the amounts related to the associate in other comprehensive income are reclassified according to the percentage of such decrease and treated with the same accounting treatment basis as the one which the associates’ direct disposal of relevant assets or liabilities shall be in accordance with. If the said adjustment shall be debited to capital reserves, and the balance of capital reserves arising from investment under equity method is insufficient to be offset, the difference is debited to retained earnings.

When the consolidated company’s shares of losses in the associates are equal to or exceeded our equity in the associates (including the carrying amount of investment in the associate under the equity method and other long-term equities that in nature are part of the net investment portfolio made by the consolidated company in the associate concerned), we do not recognize further losses. The consolidated company recognizes additional losses and liabilities only when any legal obligation or constructive obligation is incurred or the consolidated company made payment on behalf of the associates.

For impairment evaluation, the consolidated company examines the entire investment book value (including goodwill) for impairment as a single asset by comparing the recoverable amount and book value of the investment. Any recognized impairment loss is not allocated to any assets forming any part of the book value of the investment, including goodwill. Any reversal of the impairment loss is recognized to the extent of a subsequently increase in the recoverable amount of the investment.

The profit or loss generated from the upstream, downstream and side stream transactions between the consolidated company and the associates is recognized in the consolidated financial statements only when such profit or loss is irrelevant to the consolidated company's equity in the associates.

(VIII) Property, plant and equipment

The property, plant, and equipment are recognized in accordance with the cost and subsequently measured based on the cost net of accumulated depreciation and impairment losses.

The property, plant, and equipment under construction are recognized based on the cost net of accumulated impairment losses. The cost included professional service fees and the loan costs eligible for capitalization. Once the assets are completed and ready for their intended use, the assets are classified as appropriate items under property, plant and equipment, and the depreciation of the assets starts.

Except for the self-owned land, each significant part of the property, plant, and equipment is separately depreciated on the straight-line basis over its useful life. The consolidated company reviews the estimated useful life, residual value and method of depreciation at least on the end day of each year and prospectively recognize the effect from changes in accounting estimates.

For derecognition of the property, plant and equipment, the difference between the net disposal proceeds and the asset book value is recognized as profit or loss.

(IX) Investment property

An investment property refers to a property held for earning rent income or for capital appreciation, or both. Investment property includes the land held without a definite purpose of use.

The investment property for internal use was initially measured based on the cost (including transaction cost) and subsequently measured based on the cost net of accumulated depreciation and accumulated impairment losses.

All the investment properties were depreciated on the straight-line basis.

For derecognition of the investment property, the difference between the net disposal proceeds and the asset book value was recognized in profit or loss

(X) Intangible assets

1. Acquired separately

Intangible assets with limited useful life acquired separately are initially measured in accordance with the cost and subsequently based on the cost net of accumulated amortization and impairment losses. Intangible assets are amortized on the straight-line basis over its useful life. The consolidated company reviews the estimated useful life, residual value and method of amortization at least on the end day of each year and prospectively recognizes the effect from changes in accounting estimates. Intangible assets with indefinite useful life are recognized based on the cost net of accumulated impairment losses.

2. Derecognition

For derecognition of the intangible assets, the difference between the net disposal proceeds and the asset book value is recognized as profit or loss of the period.

(XI) Impairments of property, plant and equipment, right-of-use assets, intangible assets (excluding goodwill), and contract cost related assets

The consolidated company assess whether there are any signs indicating that any property, plant and equipment, right-of-use assets, and intangible assets (excluding goodwill) may be impaired on each balance sheet date. If there was any of such signs, the recoverable amount of the asset was estimated. When the recoverable amount of individual assets cannot be estimated, the consolidated company estimates the recoverable amount of the cash-generating unit to which the assets belong. Corporate assets are amortized on a reasonable and consistent basis to the smallest group of cash-generating units

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually or when there is any sign of impairment.

The recoverable amount is the higher of the fair value less costs of sale and the value in use. When the recoverable amount of any individual assets or cash-generating units is less than the book value, the book value of the individual assets or cash-generating units is adjusted down to the recoverable amount, and the impairment loss is recognized as profit or loss.

The impairment for the inventory, property, plant, and equipment as well as intangible assets recognized due to customer contrasts is first recognized in accordance with the inventory impairment regulations and the aforesaid requirements. The excess of the book value of contract cost-related assets over the consideration that can be received for providing relevant goods or services net of relevant direct costs is recognized as impairment losses thereafter. The book value of the contract cost-related assets is then included in the cash-generating unit to which the assets belong in order to perform impairment assessment for the cash-generating unit.

When the impairment loss is reversed subsequently, the book value of the asset, cash-generating unit or contract cost-related assets is adjusted up to the revised recoverable amount. However, the increased book value does not exceed the book value (less the amortization or depreciation) determined under the circumstance that the impairment loss of the assets, cash-generating unit or contract cost-related assets is not recognized in the previous year. The reversal of the impairment loss was recognized in profit or loss.

(XII) Financial instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheet when the consolidated company becomes a party of the financial instrument contract.

For initial recognition of the financial assets and financial liabilities, when the financial assets or financial liabilities are not measured at fair value through profit or loss, the assets or liabilities are measured at the fair value plus any transaction cost directly attributable to acquisition or issuance of the financial assets or financial liabilities. Any transaction cost measured at fair value through profit or loss directly attributable to the acquisition or issuance of the financial assets or financial liabilities is immediately recognized as profit or loss.

1. Financial assets

The regular transactions of financial assets are recognized and derecognized based on the accounting on the transaction date.

(1) Type of measurements

The financial assets held by the consolidated company are those measured at fair value through profit or loss and at amortized cost as well as investment in equity instruments measured at fair value through other comprehensive income.

A. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are mandatorily to be measured at fair value through profit and loss. The financial assets mandatorily measured at fair value through profit and loss include the investment in equity instruments that are not designated to be measured at fair value through other comprehensive income, and the investment in liability instruments that are not qualified to be classified as those measured at amortized cost or measured at fair value through other comprehensive income.

The financial assets measured at fair value through profit or loss are measured at fair value. The produced dividend and interest are recognized in other income and interest income, respectively. The profit or loss generated from remeasurement is recognized in other profit or loss. For determination of the fair value, please refer to Note 35.

B. Financial assets measured at amortized cost

When the consolidated company's invested financial assets meet both of the following two conditions, they are classified as financial assets measured at amortized cost:

a. The financial assets held under a business model with the purpose of holding these assets to collect contractual cash flows; and

b. The contractual terms generate cash flows on a specific date that are solely payments of principal and interest.

After the initial recognition, the financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable measured at amortized cost) are measured based on the amortized cost equal to the total book value determined under the effective interest method less any impairment losses, and any profit or loss from foreign currency translation is recognized as profit or loss.

Except for the following two circumstances, the interest income is calculated as the effective interest rate times the total book value of financial assets:

a. a. For purchased or originated credit-impaired financial assets, the interest income is calculated as the credit-adjusted effective interest rate times the amortized cost of the financial assets.

b. For financial assets originally not purchased or originated credit-impaired but subsequently becoming credit-impaired, the interest income is calculated as the effective interest rate times the amortized cost of the financial assets in the next reporting period after the credit impairment.

Credit-impaired financial assets represent significant financial difficulties confronting the issuer or debtor, default, the circumstance that the debtor is likely to file for bankruptcy or other financial reorganization, or that the active market of financial assets disappears due to financial difficulties.

Cash equivalents include highly liquid time deposits that can be converted into defined amounts of cash at any time within 3 months after the date of acquisition and are subject to an insignificant risk of changes in value, and are used to meet short-term cash commitments.

C. Investment in equity instruments measured at fair value through other comprehensive income

At initial recognition, the consolidated company may make an irrevocable election to designate the investment in equity instruments held not for trading and not recognized by the acquirer in a business merger or with consideration to be measured at fair value through other comprehensive income.

Investment in equity instruments measured at fair value through other comprehensive income is measured at fair value. Subsequent changes in the fair value are recognized in other comprehensive income and accumulated in other equity. For disposal of the investment, any cumulative profits or losses are directly transferred to retained earnings and not reclassified as profit or loss.

After the consolidated company's right to receive dividends is determined, the dividends of investment in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss except that such dividends apparently represent a partial return of the investment cost.

(2) Impairment of financial and contractual assets

The consolidated company assesses impairment losses on the financial assets (including accounts receivable) measured according to amortized cost based on the expected credit losses on each balance sheet date.

Loss allowances for accounts receivable and contract assets are recognized based on the lifetime-expected credit losses. The Company first assesses whether the credit risk on other financial assets significantly increases after the initial recognition. When the increase is not significant, the loss allowance for the financial assets is recognized based on the 12-month expected credit losses; when the increase is significant, it is recognized based on the lifetime-expected credit losses.

The expected credit losses are the average credit losses weighted by the risk of default. 12-month expected credit losses represent the expected credit losses on financial instruments from any potential default within 12 months after the reporting date. Lifetime-expected credit losses represent the expected credit losses on financial instruments from any potential default during the expected lifetime.

For the purpose of internal credit risk management, financial assets are deemed to be defaulted when the following circumstance occurred, without consideration of the collateral held:

A. Any internal or external information indicates that a debtor is impossible to pay off the debts.

B. Any payment is overdue more than 365 days, unless any reasonable and supportable information makes it appropriate to postpone the default criteria.

The impairment loss on all financial assets is deducted from the book value of the financial assets through allowance accounts. However, the loss allowance of the investment in liability instruments measured at fair value through other comprehensive income is recognized as other comprehensive income, and the book value thereof is not reduced.

(3) Derecognition of financial assets

The consolidated company derecognizes financial assets only when the contractual rights to the cash flows from the assets become invalid, or the financial assets and almost all the risks and returns over the ownership of the financial assets are transferred to other companies.

For removal of the entire financial assets measured at amortized cost, the differences between the book value and the received consideration were recognized in profit or loss. Upon derecognition of the entire investment in liability instruments measured at fair value through other comprehensive income, the difference between its book value, and the total amount of the consideration received plus any cumulative gain or loss recognized as other comprehensive profit or loss is recognized as profit or loss. Upon derecognition of the entire investments in equity instruments measured at fair value through other comprehensive income, the cumulative gain or loss is directly transferred to retained earnings and not reclassified as profit or loss.

2. Equity instrument

The debt and equity instruments issued by the consolidated company are classified as financial liabilities or equity based on the definition of real and financial liabilities as well as equity instruments under the terms and conditions of the contracts.

The equity instruments issued by the consolidated company are recognized based on the payment net of the direct cost of issuance.

When a reacquired equity instrument is originally owned by the Company, the reacquisition is recognized as a deduction from equity. Purchase, sale, issuance or cancellation of the equity instruments owned by the Company are not recognized as profit or loss.

3. Financial liabilities

(1) Subsequent measurement

All financial liabilities are measured at amortized cost under the effective interest method.

(2) Removal of financial liabilities

For derecognition of financial liabilities, the differences between the book value and the consideration paid (including any non-cash assets transferred and any liabilities assumed) are recognized as profit or loss.

4. Derivatives

The derivatives in the contract of the consolidated company include forward exchange rate in order to manage the interest rate and exchange rate risk of the consolidated company.

The derivatives are recognized initially at the fair value when the contract of derivatives is signed and subsequently remeasured at the fair value on the balance sheet date. Any profit or loss from the remeasurement is recognized as profit or loss directly. However, for derivatives that are designated as effective hedging instruments, the timing at which they are recognized as profit or loss depends on the underlying hedge arrangement. When the fair value of the derivatives is positive, they are classified as financial assets; when the fair value is negative, they are classified as financial liabilities.

If derivatives are embedded in the main contract of assets within the scope of IFRS 9 “Financial Instruments,” the classification of financial assets is determined depending on the contract as a whole. If derivatives conforming to the definition of derivatives are embedded in a main contract of assets not within the scope of IFRS 9 (e.g. a main contract of financial liabilities), and their risk and feature are not in close relation with the risk and feature of the main contract, and the hybrid contract is not measured at fair value through profit or loss, the embedded derivatives are deemed stand-alone derivatives.

(XIII) Liability reserve

The amount recognized as liability reserves is the best estimate of the expenses needed to settle the obligation on the balance sheet date in consideration of the risks and uncertainty of the obligation. The liability reserves are measured based on the estimated discounted cash flow for settlement of the obligation.

1. Onerous contract

When the unavoidable cost for fulfillment of contractual obligations is expected to exceed the expected economic benefit from the contract, the present obligation deriving from the onerous contract is recognized as liability reserve.

2. Warranty

The warranty obligation to guarantee that products conform to the agreed specification is recognized based on the best estimate made by the management for the expenses needed to settle the consolidated company’s obligation when the revenue of the relevant commodities is recognized.

(XIV) Recognition of revenue

After the consolidated company’s recognition of performance obligations under a contract with customers, the consolidated company allocates the transaction price to each performance obligation and recognizes the allocated amount as revenue after each performance obligation is fulfilled.

For the contract in which transfer of commodities or services and collection of considerations are conducted at an interval within 1 year, the transaction price is not adjusted for significant financing components.

1. Revenue from sale of commodities

Revenue from sale of commodities is generated from the sales of solar and electronic equipment products. Once the solar and electronic equipment products are delivered to the customer-designated location and accepted by the customer, the customer is entitled to the products' price determination and right of use, has the main responsibility to resell the products, and takes the risk that the products might become outdated. Therefore, the revenue and accounts receivable are recognized at that point of time. The receipts in advance from the sale are recognized as contract liabilities before the delivery of the products.

When export of raw materials for processing, the control over the ownership of processed products is not transferred, and thus the revenue for the export of raw materials is not recognized.

2. Service income

Service income derives from repair of equipment.

With provision of the equipment repair service from the consolidated company, the customer acquires and consumes the benefit from performance of the contract. Related income is recognized when services are completely provided. Involvement of technicians is need for repair of equipment. The consolidated company measures the progress of the work based on the percentage of the incurred man-hours in the estimated total man-hours. Since payment is made after completion of the repair as agreed in the contract, the consolidated company recognizes the service income as contract assets when the service is provided and transfer it to account receivable when the repair is completed.

3. Construction income

Since the cost of construction is directly related to the percentage of fulfillment of the contractual obligation, the consolidated company measures the progress based on the percentage of the actually invested cost in the estimated total cost. The consolidated company progressively recognizes contract assets during the construction and transfer them to accounts receivable when issuance of bills. If the construction proceeds received exceed the revenue recognized, the difference is recognized as contract liabilities. Construction retainage retained by customers according to contractual terms and conditions is to ensure that the consolidated company fulfills all the contractual obligation thereof and is recognized as contract assets before the fulfillment of the contract.

If the result of the fulfillment cannot be measured reliably, the contract income is recognized only within the scope of the actually incurred contract fulfillment cost expected to be recovered.

(XV) Lease

The consolidated company assesses whether an agreement is (or contained) a lease on the date of entering into the agreement.

1. The consolidated company is the lessor

A lease is classified as finance leases when almost all the risks and returns attached to the ownership of assets are transferred to the lessee according to the terms and conditions, and all the other leases are classified as operating leases.

The lease payment under operating leases less lease incentives is recognized as profit on the straight-line basis over the lease term. The original direct cost generated from the acquisition of the operating leases plus the book value of underlying assets is recognized as expenses on the straight-line basis over the lease term. The lease agreement with the lessee is dealt with as a new lease from the effective date of lease modification.

When land and building are included as elements of a lease, the consolidated company assesses if individual elements are classified as financial or operating lease based on whether almost all the risks and compensations attached to the ownership of these elements are transferred to the lessee. The lease payment is allocated to the land and building based on a relative proportion of the leasehold interest fair value of these land and building on the execution date of the contract. If the lease payment can be allocated to these two elements reliably, each of them is dealt with depending on the category it belongs. If the lease payment cannot be allocated to these two elements reliably, the overall lease is classified as financial lease; if these two elements obviously meet the criteria of operating lease, the overall lease is classified as operating lease.

2. The consolidated company is the lessee

The lease payment from the leases of low-value underlying assets to which the exemption of recognition is applied and short-term lease is recognized as expenses on the straight-line basis over the lease term, while right-of-use assets and lease liabilities with respect to other leases are recognized on the lease commencement date.

The right-of-use assets are initially measured based on the cost (including the initial recognized amount of lease liabilities, the lease payment paid before the lease commencement date less the lease incentives received, the initial direct cost and the cost estimated to restore the underlying asset) and subsequently measured based on the cost net of accumulated depreciation and accumulated impairment losses, and then the remeasurement of the lease liabilities is adjusted. The right-of-use assets are separately presented in the consolidated balance sheet.

The right-of-use assets were depreciated on the straight-line basis over the period from the lease commencement date to the expiration of the useful life or the lease term, whichever was sooner.

The lease liabilities were initially measured based on the present value of lease payments (including fixed payments). If the interest rate implicit in a lease could be readily determined, the lease payments were discounted at the interest rate. When such interest rate could not be readily determined, the lessee's incremental borrowing rate of interest was used.

Subsequently, the lease liabilities are measured at amortized cost under the effective interest method, and the interest expenses are amortized over the lease term. When any changes in the lease term, the amount to be paid under residual value guarantee, the assessment relating the purchase options of underlying assets, or the changes in the index or rate determining the lease payments cause the changes in the future lease payments, we remeasure the lease liabilities and adjust the right-of-use assets accordingly. However, the residual remeasurement is recognized in profit or loss when the book value of right-of-use assets is reduced to zero. For the lease modification not dealt with as a single lease, the remeasurement of the lease liabilities due to reduction of the lease scope is conducted to reduce the right-of-use assets and recognized in profit or loss in terms of termination of any part of all of the lease; the remeasurement of the lease liabilities due to other modifications is conducted for adjustment of the right-of-use assets. The lease liabilities are separately presented in the consolidated balance sheet.

(XVI) Cost of borrowing

The cost of borrowing that can be directly attributable to the assets for which acquisition, building or production meet the requirements is part of the cost of such assets until almost all the required activities for them to reach the intended status of use or sale are completed.

The income earned from temporary investment by using certain loans before the occurrence of capital expenses meeting the requirements is deducted from the cost of borrowing that meets the requirements of capitalization.

Otherwise, all the costs of borrowing are recognized as profit or loss in the year in which the borrowing occurred.

(XVII) Government grants

The government grants shall only be recognized when it is reasonable to ensure that the consolidated company will comply with the conditions incident to the government subsidies and the subsidies may be received affirmatively.

The government grant related revenues are recognized as profit or loss on a systematic basis within the period when the costs to be subsidized by the government are recognized as expenses by the consolidated company. Government grants for which the acquisition of non-current assets in a purchase or building manner or in other manners by the consolidated company is necessary are recognized as deferred income and transferred to profit or loss on a reasonable and systematic basis over the useful life of the relevant assets.

If the government grants are used to make up the expenses or losses that have occurred, or immediately support the finance of the consolidated company and there is no future cost, such grants are recognized in profit or loss during the period when they can be received.

(XVIII) Employee benefits

1. Short-term employee benefits

Liabilities related to employee benefits are measured at non-discounted amount expected to be paid against the services to be provided by the employees.

2. Retirement benefits

Every pension fund contributed under the defined pension appropriation plan is recognized as expenses during the period when employees provide services.

Defined retirement benefit costs (including servicing costs, net interest, and remeasurement) under the defined retirement benefit plan are calculated actuarially using the projected unit credit method. Service costs (including current and previous service costs) and net interest on net defined benefit liabilities (assets) were recognized in employee benefit expenses when they were incurred. Remeasurement (including actuarial profits or losses and return on plan assets net of interest) is recognized in other comprehensive income and presented in retained earnings when it occurs. It is not reclassified as profit or loss in the subsequent periods.

Net defined benefit liabilities (assets) represent the contribution deficit (surplus) in the defined retirement benefit plan. Net defined benefit assets shall not exceed the present value of contribution refunded from the defined retirement benefit plan or future deductible contribution.

(XIX) Share-based payment arrangement

Employee stock options

The employee stock options are recognized as expenses based on the fair value of equity instruments on the grant date and the best estimate of the vested amount on the straight-line basis over the vesting period, while the capital reserve – stock option is adjusted. If the amount is immediately vested on the grant date, it is recognized as expenses on that date. The consolidated company may transfer treasury stocks to employees. The grant date is the date of notification to employees.

(XX) Income tax

The tax expenses are the total of current and deferred income taxes.

1. Current income tax

The consolidated company determines the current revenue (loss) in accordance with the laws and regulations of the jurisdiction where the income tax returns are filed and, with this as a basis, calculates the income tax payable (receivable).

The additional income tax on undistributed earnings calculated according to the Income Tax Act of the Republic of China is recognized in the year when the related resolution is made at the shareholders' meeting.

The adjustments to the income tax payable in the previous year are recognized in the current income tax.

2. Deferred income tax

The deferred income taxes are calculated based on the temporary difference between the book value of assets and liabilities in the book and the tax base for calculation of taxable income.

Deferred income tax liabilities are generally recognized based on all taxable temporary differences; deferred income tax assets are recognized when we are likely to have taxable income available to offset the income tax arising from deductible temporary differences, loss carryforwards, purchase of machine/equipment, R&D and talent training.

Taxable temporary differences generated from investment in subsidiaries, associates and joint arrangements are recognized in deferred income tax liabilities except that the consolidated company can control the timing of reversal of the taxable temporary differences, and that such differences are not likely to be reversed in the foreseeable future. Deductible temporary differences related to such investment are recognized, to the extent that they are expected to be reversed in the foreseeable future, as deferred income tax assets only when we are likely to have taxable income adequate to realize the temporary differences.

The book value of deferred income tax assets is reviewed at each balance sheet date. When any of the deferred income tax assets is not likely to have taxable income adequate to return all or part of the assets anymore, the book value thereof is reduced. Those that are not originally recognized as deferred income tax assets are reviewed at each balance sheet date. When any of those is likely to generate taxable income adequate to return all or part of the assets in the future, the book value thereof is increased.

The deferred income tax assets and liabilities are measured at the tax rate of the period in which the liabilities or assets are expected to be settled or realized. The tax rate is subject to the tax rate and tax law legislated or substantively legislated on the balance sheet date. The deferred income tax liabilities and assets are measured to reflect the tax on the balance sheet date arising from the method that the consolidated company excepts to use to recover or settle the book value of the liabilities and assets.

3. Current and deferred income taxes

The current and deferred income taxes are recognized as profit or loss other than those related to the titles stated as other comprehensive income or as equity directly, which are recognized in other comprehensive income separately or in equity directly.

V. Major Sources of Uncertainty to Significant Accounting Judgments, Estimates and Assumptions

For adoption of the accounting policies, our management must make judgments, estimates and assumptions related to the information that cannot be readily acquired from other sources based on historical experience and other relevant factors. The actual results may differ from those estimates.

The consolidated company deems the effect of the COVID-19 on the economy as a consideration of significant accounting estimates. The management will continue to review the estimates and basic assumptions. When the amendments to the estimates only affect the current period, they are recognized in the period in which they are made; when the amendments to the estimates affect the current and future periods at the same time, they are recognized in the period in which they are made and the future period.

Main sources of uncertainties of estimates, and assumptions

Construction contracts

The construction profit or loss of a construction contract is recognized in revenue and cost with reference to the completion level of the contractual activities. The completion level is measured based on the percentage of the contract cost incurred to the completed works up to now in the estimated total contract cost. The amount of the variable consideration such as incentives and damages will be incorporated in the contract income only when, after subsequent elimination of related uncertainties, the amount of the accumulated income after the incorporation and recognition of such variable consideration will not likely lead to significant reversal.

Since the estimated total cost and contract items are derived by the management from assessment and judgment of the nature of individual products, expected outsourcing price, project period, construction, and construction method, they may affect the calculation of the completion percentage and construction profit/loss. (Please refer to Note 26)

VI. Cash and cash equivalents

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Cash on hand and working capital | $ 4,789 | $ 3,130 |
| Bank check and demand deposit | 734,646 | 797,664 |
| Cash equivalents (investment with an initial maturity date within 3 months) | | |
| Bank acceptance draft | - | 17,220 |
| Time deposit | 467,738 | 252,704 |

| | | |
|---|---|---|
| | $ 1,207,173 | $ 1,070,718 |

Interest rate range of bank deposits on the balance sheet date

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Bank deposit | 0.001%～0.48% | 0.001%～1.1% |
| Bank time deposit with an initial maturity date within 3 months | 0.26%～2.1% | 0.59%～2.85% |

VII. Financial instruments measured at fair value through profit or loss

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Financial assets – current | | |
| Mandatory measurement at fair value through profit or loss | | |
| Non-derivative financial assets | | |
| – Domestic listed (OTC) stocks | $ - | $ 4,310 |
| – Overseas listed (OTC) stocks | 9,957 | 8,796 |
| – Fund beneficiary certificate | 320,938 | 100,486 |
| | 330,895 | 113,592 |
| Held for trading | | |
| Derivatives (not designated for hedging) | | |
| – Forward exchange contract (I) | 119 | - |
| | $ 331,014 | $ 113,592 |
| Financial assets – non-current | | |
| Mandatory measurement at fair value through profit or loss | | |
| Non-derivative financial assets | | |
| – Domestic non-listed (non-OTC) stocks | $ 44,141 | $ 42,622 |
| Unrealized profit/loss | | |
| – Structured deposit (II) | - | 6,009 |
| | $ 44,141 | $ 48,631 |

(I) The forward exchange contracts that was not subject to hedge accounting or mature on the balance sheet date are as follows:

December 31, 2020

| | Currency | Maturity date | Contract price (NTD thousand) |
|---|---|---|---|
| Forward exchange contract purchase | USD : RMB | 110 年 01 月 28 日 | USD200/CNY1,349 |
| | USD : RMB | 110 年 03 月 31 日 | USD300/CNY1,977 |
| | USD : RMB | 110 年 09 月 09 日 | USD200/CNY1,336 |

(II) As for the structured time deposit agreement entered into by the consolidated company and banks, the structured time deposit includes an embedded derivative not in a close relation to the main contract. Since the main contract included in the hybrid contract belongs to the assets within the scope of IFRS 9, the main contract shall be mandatorily classified as financial assets measured at fair value through profit or loss according to the overall assessment for the hybrid contract.

VIII. Financial assets measured at fair value through other comprehensive income

Investment in equity instruments

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Non-current | | |
| Domestic investment | | |
| Non-listed (Non-OTC) stock | | |
| Common stock of United Information System Service Co., Ltd. | $ 27,245 | $ 35,162 |
| Common stock of Ecatch Automation Co., Ltd. | 900 | 900 |
| | $ 28,145 | $ 36,062 |

The consolidated company invested in the common stocks of United Information System Service Co., Ltd. and Ecatch Automation Co., Ltd. according to our medium and long-term strategies and expected to gain profits through long-term investment. Since the consolidated company's management deemed that the recognition of short-term changes in the investment's fair value in profit or loss was not consistent with the said long-term investment plan, they opted to have the investment to be measured at fair value through other comprehensive income.

IX. Financial assets measured at amortized cost

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Current | | |
| Domestic investment | | |
| Time deposit with an initial maturity date over 3 months(I) | $ 479,607 | $ 475,996 |
| Interest rate-linked structured deposit | 85,440 | - |
| Less: Loss allowance | - | - |
| | $ 565,047 | $ 475,996 |
| Non-current | | |
| Domestic investment | | |
| Time deposit with an initial maturity date over 3 months(I) | $ 28,539 | $ 90,592 |
| Less: Loss allowance | - | - |
| | $ 28,539 | $ 90,592 |

(I) As of December 31, 2020 and 2019, the interest rate range of the time deposit with an initial maturity date over 3 months was 0.04%–1.165% and 0.08%–2%, respectively.

(II) For more information on the pledge of the financial assets measured at amortized cost, please refer to Note 37.

X. Notes/accounts receivable and other receivables

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Notes receivable | | |
| Measurement at amortized cost | | |
| Total book value | $ 49,325 | $ 61,032 |
| Less: Loss allowance | - | - |
| | $ 49,325 | $ 61,032 |
| Accounts receivable | | |
| Measurement at amortized cost | | |
| Total book value | $ 511,606 | $ 752,317 |
| Less: Loss allowance | ( 25,633 ) | ( 40,006 ) |
| | $ 485,973 | $ 712,311 |
| Overdue receivables (booked in other non-current assets) | $ 2,703 | $ 95,839 |
| Less: Loss allowance | ( 2,703 ) | ( 95,839 ) |
| | $ - | $ - |
| Other receivables | | |
| Scrap income receivable | $ 10,107 | $ - |
| Purchase discounts and allowances receivable | 7,033 | 7,403 |

| | | |
|---|---|---|
| Business tax refund receivable | 5,252 | 810 |
| Interest receivable | 2,800 | 3,963 |
| Proceeds receivable from disposal of investments | - | 12,298 |
| Others | 9,272 | 6,901 |
| Less: Loss allowance | ( 422 ) | ( 290 ) |
| | $ 34,042 | $ 31,085 |

(I) Notes and accounts receivable

The consolidated company provides an O/A 30-to-90-day credit period on average for sale of commodities, and interest does not accrue on accounts receivable. When determining the recoverability of accounts receivable, the consolidated company considers any changes in their credit quality from the original credit date to the balance sheet date. Since the historical experience tells that the accounts receivable overdue for more than 1 year are not recoverable, the consolidated company recognizes the accounts receivable of more than 1 year in 100% loss allowance. As for the loss allowance of the accounts receivable within 1 year, the amount not recoverable is estimated with reference to the previous default record current financial status of the counterparty.

The consolidated company recognizes the loss allowance for accounts receivable based on the lifetime expected credit losses. The lifetime expected credit losses were calculated using a provision matrix with consideration of the clients' historical default record and current financial position, industrial and economic environment, and GDP forecasts and industrial prospects. Since our historical experience of credit losses show no significant difference in the type of loss between different customers, the customers are not further classified in the provision matrix. We only set the expected credit loss rate based on the days overdue of accounts receivable.

When there is any evidence showing that the trading counterparty is facing serious financial difficulties and the consolidated company cannot estimate a reasonable recoverable amount (for example, the trading counterparty is undergoing liquidation or any debt has been overdue for more than 365 days), the consolidated company directly write off related accounts receivable, continue to claim for payment, and recognize the recovered amount therefrom in profit or loss.

The consolidated company's loss allowance for notes and accounts receivable measured using the provision matrix are as follows:

December 31, 2020

| | Not overdue | 1 – 90 days overdue | 91 – 180 days overdue | 181 – 365 days overdue | More than 365 days overdue | Individual assessment of impairment | Total |
|---|---|---|---|---|---|---|---|
| Percentage of expected credit losses | 0%～46.9% | 2%～75.04% | 12%～42.89% | 13.22%～100% | 100% | 100% | |
| Total book value | $ 398,131 | $ 138,068 | $ 15,657 | $ 5,758 | $ 3,168 | $ 149 | $ 560,931 |
| Loss allowance (lifetime expected credit losses) | ( 96 ) | ( 10,050 ) | ( 6,448 ) | ( 5,722 ) | ( 3,168 ) | ( 149 ) | ( 25,633 ) |
| Amortized cost | $ 398,035 | $ 128,018 | $ 9,209 | $ 36 | $ - | $ - | $ 535,298 |

December 31, 2019

| | Not overdue | 1 – 90 days overdue | 91 – 180 days overdue | 181 – 365 days overdue | More than 365 days overdue | Total |
|---|---|---|---|---|---|---|
| Percentage of expected credit losses | 1%～38.06% | 9.97%～26.20% | 2.94%～87.59% | 13.36%～100% | 1%～100% | |
| Total book value | $ 746,923 | $ 16,851 | $ 5,520 | $ 10,651 | $ 33,404 | $ 813,349 |
| Loss allowance (lifetime expected credit losses) | ( 833 ) | ( 2,479 ) | ( 3,059 ) | ( 9,747 ) | ( 23,888 ) | ( 40,006 ) |
| Amortized cost | $ 746,090 | $ 14,372 | $ 2,461 | $ 904 | $ 9,516 | $ 773,343 |

Changes in loss allowance for notes and accounts receivable and overdue receivables are as follows:

| | 2020 | 2019 |
|---|---|---|
| Balance – beginning of the year | $ 135,845 | $ 132,698 |
| Plus: Impairment loss appropriated in the year | - | 5,253 |
| Less: Impairment loss reversed in the year | ( 2,118 ) | - |
| Less: Actual amount written off in the year | ( 105,669 ) | ( 1,178 ) |
| Differences from translation of foreign currencies | 278 | ( 928 ) |
| Balance – ending of the year | $ 28,336 | $ 135,845 |

Since there were customers who entered the liquidation procedure or from whom they payment of debts was not to be collected in 2020, accounts receivables and overdue receivables to the amount of NTD 105,669,000 and loss allowance of NTD 105,669,000 were written off.

For information on the notes receivable pledged as collateral for loans, please refer to Note 37.

(II) Other receivables

Interest does not accrue on other receivables. When determining the recoverability of other receivables, the consolidated company considers any changes in their credit quality from the original credit date to the balance sheet date. Since the historical experience tells that other receivables overdue for more than 1 year are not recoverable, the consolidated company recognizes other receivables of more than 1 year in 100% loss allowance. As for the loss allowance of other receivables within 1 year, the amount not recoverable is estimated with reference to the previous default record current financial status of the counterparty.

Changes in loss allowance for other receivables are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Balance – beginning of the year | $ 290 | $ 867 |
| Plus: Impairment loss appropriated in the year | 269 | - |
| Less: Actual amount written off in the year | ( 137) | ( 568) |
| Differences from translation of foreign currencies | - | ( 9) |
| Balance – ending of the year | $ 422 | $ 290 |

On December 31, 2020 and 2019, the consolidated company did not have other receivables which were overdue and for which no loss allowance was recognized in the account.

## XI. Inventory

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Finished goods | $ 92,243 | $ 43,037 |
| Work in process | 63,176 | 54,372 |
| Raw material | 70,566 | 51,910 |
| In-transit inventory | 28,060 | 3,253 |
| Real estate held for sale. | 1,530,490 | 1,766,950 |
| | $ 1,784,535 | $ 1,919,522 |

The cost of sales related to the inventories in 2020 and 2019 was NTD 3,761,303,000 and NTD 4,042,566,000, respectively.

The cost of sales related to the inventories in 2020 and 2019 included the following items:

| | 2020 | 2019 |
|---|---|---|
| Recovery gain (impairment loss) from inventory devaluation | $ 26,577 | ($ 1,148) |
| Recovery gain (impairment loss) from repayments for purchase | 12,659 | ( 64,955) |
| Long-term prepayment impairment loss | - | ( 76,032) |
| | $ 39,236 | ($142,135) |

The recovery gain of net realizable value of inventory in 2020 resulted from a rise in the sale prices of the inventory on certain markets.

## XII. Subsidiary

### (I) Subsidiaries included in the consolidated financial statements

Entities in the consolidated financial statements are as follows:

| Name of investor | Name of subsidiary | Nature of business | Shareholding ratio December 31, 2020 | Shareholding ratio December 31, 2019 | Description |
|---|---|---|---|---|---|
| The Company | Kenmec International Holding (BVI) Co., Ltd. (hereinafter referred to as B.V.I. – Kenmec International) | Investment holding business | 100 | 100 | |
| The Company | Ample Assets Holdings Ltd. (hereinafter referred to Ample) | Investment holding business | 100 | 100 | |
| The Company | Kenmec Vietnam Company Limited (hereinafter referred to Kenmec Vietnam) | Production of solar water heater equipment | 100 | 100 | |
| The Company | Tainergy Tech Co. Ltd. (hereinafter referred to as Tainergy) | Research, design, manufacture and sales of solar cells, modules and related systems | 28.83 | 28.77 | 1、6 |
| The Company | Kentec Inc. (hereinafter referred to as Kentec) | Manufacture of electronics parts and components | 89.16 | 89.16 | |
| The Company | Taisic Materials Co. (hereinafter referred to as Taisic Materials) | Manufacture and sale of electronic parts and components | 10 | - | 3 |
| B.V.I. — Kenmec International | Kenmec Technology (Fuoing) Co., Ltd. (hereinafter referred to as Kenmec Fuoing) | Development, production and sales of new electronic components (chip components), digital audio and video coding equipment | 100 | 100 | |
| B.V.I.—Kenmec International | Kenmec Mecha-Tronics (Suzhou) Co., Ltd. (hereinafter referred to as Kenmec Mecha-Tronics) | T.F.T. process equipment, semiconductor process equipment, industrial conveying machinery, and automated storage equipment. | 100 | 100 | |
| B.V.I.—Kenmec International | Kenmec Automation Engineering (KunShan) (hereinafter referred to Automation Kunshan) | Automated flow line equipment and supporting equipment, display production equipment, semiconductor production equipment, etc. | 100 | 100 | |
| Kenmec Mecha-Tronics | Suzhou Kenmec Property Development Ltd. (hereinafter referred to as Kenmec Property Development) | Real estate business | 68.25 | 68.25 | |
| Ample | Fraternity Trade Development (KunShan) Co., Ltd. (hereinafter referred to as Fraternity Kunshan) | Tourism and leisure industry, such as management of hot spring hotels, health and leisure clubs, and slow living and light bite tourism | 100 | 100 | |
| Tainergy | Tainergy Tech Holding (Samoa) Co., Ltd. (hereinafter referred to as SAMOA – Tainergy Tech) | Investment holding business | 100 | 100 | |
| Tainergy | Cheng Yang Energy Co., Ltd. (hereinafter referred to as Cheng Yang Energy) | Sales of solar power generation systems | - | 100 | 2 |
| Tainergy | Vietnergy Company Limited | Production of high-tech solar cells and the components of the cells | 100 | 100 | |
| Tainergy | Star Solar New Energy Co., Ltd. | Generation of solar power and sales of solar power systems | 100 | 100 | |
| Tainergy | Kentec | Manufacture of electronics parts and components | 4.33 | 4.33 | |
| Tainergy | Taisic Materials | Manufacture and sale of electronic parts and components | 64.4 | - | 3 |

(Next page)

(Continued from previous page)

| Name of investor | Name of subsidiary | Nature of business | Shareholding ratio December 31, 2020 | Shareholding ratio December 31, 2019 | Description |
|---|---|---|---|---|---|
| SMOA – Tainergy Tech | Tainergy Technology (Kunshan) Co., Ltd. (hereinafter referred to as Tainergy Kunshan) | R&D, design, production of high-tech cells (solar cells and the components of the cells) | 100 | 100 | |
| Tainergy Kunshan | Kunshan SENSIC Electronic Materials Co., Ltd. | Sales and manufacture of electronic materials and parts | 100 | 100 | 4 |
| Tainergy Kunshan | Kenmec Property Development | Real estate business | 31.75 | 31.75 | |
| Tainergy Kunshan | Kunshan Jichang Energy Technology Co., Ltd. | Sale of solar power-related products | 100 | - | 5 |
| Kentec | Kenmec Communication Holding (BVI) Co., Ltd. (hereinafter referred to as B.V.I. – Kenmec Communication) | Investment holding business | 100 | 100 | |
| B.V.I. – Kenmec Communication | Kenmec Technology (Suzhou) Co., Ltd. (hereinafter referred to as Kenmec Technology) | Production of new electronic components (chip components), digital sounds, etc. | 100 | 100 | |

Remarks:

1. The consolidated company has a direct and indirect shareholding of 28.83% in Tainergy and, nevertheless, has substantial control over the company. It is thus incorporated as an entity of the consolidated company.
2. The consolidated company sold its 100% equity in Tainergy at a total amount of NTD 283,496,000 on April 28, 2020. Please refer to Note 31.
3. TAISIC MATERIALS CO. is located in Zhongli District, Taoyuan City. It was established with a capital investment of NTD 10,000,000 and NTD 64,000,000, respectively, from the Company and Tainergy of the consolidated company in June 2020, and thus the Company and Tainergy acquired 10% and 64% of the shares, respectively. The main business activities of TAISIC MATERIALS CO. are manufacture of electronic parts and components. The Company and Tainergy of the consolidated company did not raise additional capital according to shareholding ratio during the period from June to December 2020, and their shareholdings rose to 10% and 64.4%, respectively, as a result. Please refer to Note 32 for changes in non-controlling equity.
4. Kunshan SENSIC Electronic Materials Co., Ltd. (originally named Kunshan Kunfu Energy Development Co., Ltd.) is located in Kunshan City, Jiangsu Province of the People’s Republic of China and was established with a 100% capital investment by Tainergy Technology (Kunshan) Co., Ltd. of the consolidated company in October 2017. The main business activities of Kunshan

SENSIC Electronic Materials Co., Ltd. are the manufacture and sales of electronic parts and components. A capital contribution of RMB 2,000,000 and RMB 2,500,000 was contributed on January 8 and April 20, 2020, respectively.

5. Kunshan Jichang Energy Technology Co., Ltd. is located in Kunshan City, Jiangsu Province of the People's Republic of China and was established with a 100% capital investment by Tainergy Technology (Kunshan) Co., Ltd., one of the consolidated companies, in June 2020. The main business activities of Kunshan Jichang Energy Technology Co., Ltd. are the sale of solar power-related products A capital of RMB 27,920,000 was expected to be contributed, but it has not been contributed as of December 31, 2020.

6. They are subsidiaries holding significant non-controlling equity: None.

(II) Information on subsidiaries holding significant non-controlling equity

| | Proportion of shareholding and voting right with non-controlling equity | |
|---|---|---|
| Name of subsidiary | December 31, 2020 | December 31, 2019 |
| Tainergy | 71.17% | 71.23% |

For the main territory and the country in which the company is registered, please refer to Table 10.

| | Profit (loss) on distribution to non-controlling equity | | Non-controlling equity | |
|---|---|---|---|---|
| Name of subsidiary | 2020 | 2019 | December 31, 2020 | December 31, 2019 |
| Tainergy (without the non-controlling equity of subsidiaries) | $ 13,064 | ( $ 346,456 ) | $ 1,262,880 | $ 1,282,595 |

The following financial information summary is prepared based on the amount before elimination of inter-company transactions:

Tainergy and Subsidiaries

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Current assets | $ 1,429,767 | $ 1,451,381 |
| Non-current assets | 2,516,455 | 2,720,826 |
| Current liabilities | ( 1,554,256 ) | ( 1,530,670 ) |
| Non-current liabilities | ( 610,490 ) | ( 840,873 ) |
| Equity | $ 1,781,476 | $ 1,800,664 |
| | | |
| Equity attributed to: | | |
| The owner of the Company | $ 513,634 | $ 518,069 |
| Non-controlling equity of Tainergy | 1,262,880 | 1,282,595 |

| | | |
|---|---|---|
| Non-controlling equity of Tainergy's subsidiaries | 4,962 | - |
| | $ 1,781,476 | $ 1,800,664 |

| | 2020 | 2019 |
|---|---|---|
| Operating revenue | $ 2,193,597 | $ 2,328,813 |
| Net profit (loss) for the year | $ 3,594 | ($ 486,831) |
| Other comprehensive income | ( 24,428) | ( 61,324) |
| Total comprehensive income | ($ 20,834) | ($ 548,155) |
| Net profit (loss) attributable to: | | |
| The owner of the Company | $ 7,031 | ($ 140,375) |
| Non-controlling equity of Tainergy | 13,064 | ( 346,456) |
| Non-controlling equity of Tainergy's subsidiaries | ( 16,501) | - |
| | $ 3,594 | ($ 486,831) |
| Total comprehensive income attributable to: | | |
| The owner of the Company | $ 15,293 | ($ 161,564) |
| Non-controlling equity of Tainergy | ( 19,626) | ( 386,591) |
| Non-controlling equity of Tainergy's subsidiaries | ( 16,501) | - |
| | ($ 20,834) | ($ 548,155) |

| | | |
|---|---|---|
| Cash flow | | |
| Operating activities | $ 484,303 | $ 415,681 |
| Investment activities | ( 419,039) | 55,394 |
| Financing activities | ( 143,218) | ( 414,903) |
| Effects of changes in exchange rates | ( 5,266) | ( 33,221) |
| Net cash inflow (outflow) | ($ 83,220) | $ 22,951 |

XIII. Investment under the equity method

Investment in associates

| | December 31, 2020 |
|---|---|
| Individual unimportant associates | $ 1,685 |

| | 2020 |
|---|---|
| The consolidated company's shares | |

| | |
|---|---|
| Current net profit of continuing operations | $ 153 |
| Other comprehensive income | - |
| Total comprehensive income | $ 153 |

Individual unimportant associates acquired by the consolidated company in 2020.

## XIV. Property, plant and equipment

| | Land and land improvement | House and building | Machine and equipment | Transport equipment | Other equipment | Uncompleted construction | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance on January 1, 2020 | $ 673,607 | $ 1,473,123 | $ 5,811,353 | $ 76,418 | $ 952,656 | $ 184,177 | $ 9,171,334 |
| Addition | 158,904 | 69,151 | 80,418 | 5,776 | 33,262 | 638,522 | 986,033 |
| Disposal | - | - | ( 79,716 ) | ( 2,806 ) | ( 188,178 ) | ( 817 ) | ( 271,517 ) |
| Sale of subsidiary (Note 31) | - | - | ( 770,811 ) | - | - | - | ( 770,811 ) |
| Reclassification | 98,201 | 2,494 | 237,028 | - | 56,806 | ( 186,248 ) | 208,281 |
| Net exchange differences | 1,086 | 12,197 | ( 46,660 ) | 204 | ( 15,687 ) | ( 6,275 ) | ( 55,135 ) |
| Balance on December 31, 2020 | $ 931,798 | $ 1,556,965 | $ 5,231,612 | $ 79,592 | $ 838,859 | $ 629,359 | $ 9,268,185 |
| Accumulated depreciation and impairment | | | | | | | |
| Balance on January 1, 2020 | $ 12,898 | $ 696,398 | $ 4,471,576 | $ 61,347 | $ 695,031 | $ - | $ 5,937,250 |
| Depreciation expense | 3,207 | 73,172 | 249,113 | 5,374 | 60,595 | - | 391,461 |
| Recognized impairment loss | - | - | 1,960 | - | 3,250 | - | 5,210 |
| Disposal | - | - | ( 77,979 ) | ( 2,806 ) | ( 183,758 ) | - | ( 264,543 ) |
| Sale of subsidiary (Note 31) | - | - | ( 73,363 ) | - | - | - | ( 73,363 ) |
| Reclassification | - | ( 42 ) | 42 | - | - | - | - |
| Net exchange differences | 290 | 7,379 | ( 39,809 ) | 253 | ( 4,777 ) | - | ( 36,664 ) |
| Balance on December 31, 2020 | $ 16,395 | $ 776,907 | $ 4,531,540 | $ 64,168 | $ 570,341 | $ - | $ 5,959,351 |
| Net amount on December 31, 2020 | $ 915,403 | $ 780,058 | $ 700,072 | $ 15,424 | $ 268,518 | $ 629,359 | $ 3,308,834 |
| Cost | | | | | | | |
| Balance on January 1, 2019 | $ 1,151,983 | $ 1,658,444 | $ 7,343,492 | $ 77,708 | $ 1,202,726 | $ 59,184 | $ 11,493,537 |
| Addition | - | 7,537 | 63,723 | 2,578 | 34,287 | 140,801 | 248,926 |
| Disposal | ( 475,862 ) | ( 151,919 ) | ( 1,841,004 ) | ( 2,733 ) | ( 335,114 ) | ( 30,401 ) | ( 2,837,033 ) |
| Reclassification | - | 864 | 333,443 | - | 62,553 | 54,528 | 451,388 |
| Net exchange differences | ( 2,514 ) | ( 41,803 ) | ( 88,301 ) | ( 1,135 ) | ( 11,796 ) | ( 39,935 ) | ( 185,484 ) |
| Balance on December 31, 2019 | $ 673,607 | $ 1,473,123 | $ 5,811,353 | $ 76,418 | $ 952,656 | $ 184,177 | $ 9,171,334 |
| Accumulated depreciation and impairment | | | | | | | |
| Balance on January 1, 2019 | $ 10,051 | $ 722,000 | $ 5,820,411 | $ 59,104 | $ 971,412 | $ - | $ 7,582,978 |
| Disposal | - | ( 80,264 ) | ( 1,829,658 ) | ( 2,733 ) | ( 325,360 ) | - | ( 2,238,015 ) |
| Depreciation expense | 3,344 | 72,179 | 410,110 | 6,063 | 62,053 | - | 553,749 |
| Recognized impairment loss | - | - | 161,950 | - | 245 | - | 162,195 |
| Reclassification | - | - | 3,447 | - | ( 3,447 ) | - | - |
| Net exchange differences | ( 497 ) | ( 17,517 ) | ( 94,684 ) | ( 1,087 ) | ( 9,872 ) | - | ( 123,657 ) |
| Balance on December 31, 2019 | $ 12,898 | $ 696,398 | $ 4,471,576 | $ 61,347 | $ 695,031 | $ - | $ 5,937,250 |
| Net amount on December 31, 2019 | $ 660,709 | $ 776,725 | $ 1,339,777 | $ 15,071 | $ 257,625 | $ 184,177 | $ 3,234,084 |

(I) As assessed by the management of Kentec, and entity of the consolidated company, the sales of some OEM products were poor on the market and, thus, the machine and equipment used for production of these products lost their value of use. Hence, the management recognized NTD 1,960,000 and NTD 906,000 as impairment loss in 2020 and 2019, respectively. The impairment loss was stated under other profits and losses in the consolidated statement of comprehensive income.

(II) The consolidated company expected some other equipment was useless and recognized NTD 3,250,000 as impairment loss in 2020. The impairment loss was stated under other profits and losses in the consolidated statement of comprehensive income.

(III) As expected by Tainergy Group of the consolidated company, the machines and equipment in Taiwan used for production of the product were left unused due to the poor sale performance of solar cells in the market, as a result, the recoverable amount of the machines and equipment was lower than the book value. Therefore, an impairment loss of NTD 161,289,000 was recognized in 2019. The impairment loss was stated under other profits and losses in the consolidated statement of comprehensive income.

Impairment loss to a total amount of NTD 5,210,000 and NTD 162,195,000 was recognized in 2020 and 2019, respectively. Please refer to the description in Note 27.

The depreciation expense was calculated on the straight-line basis over the following useful lives:

| | |
|---|---|
| Land improvement | 20 years |
| House and building | |
| Main factory building | 20 to 50 years |
| Mechanical & electric power equipment | 8 to 10 years |
| Engineering system | 4 to 6 years |
| Machine and equipment | |
| Solar power system | 16 to 20 years |
| Auto warehouse equipment | 16 years |
| Cleanroom equipment | 6 to 12 years |
| Boiler equipment | 6 to 8 years |
| SMT production line | 6 to 9 years |
| Test equipment | 6 to 10 years |
| Electricity transmission, distribution and transformer equipment | 20 years |
| System and equipment construction | 3 to 18 years |
| Solar power equipment | 2 to 10 years |
| Machine tool/machinery | 5 to 10 years |
| Transport equipment | 4 to 8 years |
| Other equipment | 1 to 10 years |

For the amount of the property, plant, and equipment mortgaged as collateral for loans, please refer to Note 37.

XV. Lease agreement

(I) Right-of-use assets

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Book value of right-of-use assets | | |
| Land | $ 184,363 | $ 187,840 |
| Building | 93,748 | 50,856 |
| | $ 278,111 | $ 238,696 |

| | 2020 | 2019 |
|---|---|---|
| Addition of right-of-use assets | $ 93,206 | $ 19,831 |
| Disposal of right-of-use assets | ($ 5,041) | $ - |
| Depreciation expense of right-of-use assets | | |
| Land | $ 4,654 | $ 5,122 |
| Building | 28,125 | 22,931 |
| | $ 32,779 | $ 28,053 |

For the right-of-use assets pledged as collateral for loans, please refer to Note 37.

(II) Lease liabilities

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Book value of lease liabilities | | |
| Current | $ 26,835 | $ 12,539 |
| Non-current | 84,046 | 47,177 |
| | $ 110,881 | $ 59,716 |

Range of discount rate for lease liabilities is as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Land | 5.2% | 5.2% |
| Building | 2.1%～5.49% | 2.1%～5.49% |

(III) Other lease information

For the contract of the consolidated company to lease out investment property under operating lease, please refer to Note 16.

| | 2020 | 2019 |
|---|---|---|
| Short-term lease and lease expense of low-value assets | $ 4,787 | $ 6,959 |
| Total cash (outflow) amount for lease | ($ 21,528) | ($ 30,689) |

The consolidated company opts to apply the exemption of recognition to the lease of property which is qualified as a short-term lease or a lease of low-value assets, and does not recognize right-of-use assets and lease liabilities with respect to such lease.

XVI. Investment property

| | Completed investment property |
|---|---|
| Cost | |
| Balance on January 1, 2020 | $ 784,048 |
| Net exchange differences | 13,113 |
| Balance on December 31, 2020 | $ 797,161 |
| | |
| Accumulated depreciation | |
| Balance on January 1, 2020 | $ 305,779 |
| Depreciation expense | 35,091 |
| Net exchange differences | 5,895 |
| Balance on December 31, 2020 | $ 346,765 |
| | |
| Net amount on December 31, 2020 | $ 450,396 |
| Cost | |
| Balance on January 1, 2019 | $ 814,463 |
| Net exchange differences | ( 30,415 ) |
| Balance on December 31, 2019 | $ 784,048 |
| | |
| Accumulated depreciation | |
| Balance on January 1, 2019 | $ 280,990 |
| Depreciation expense | 36,652 |
| Net exchange differences | ( 11,863 ) |
| Balance on December 31, 2019 | $ 305,779 |
| | |
| Net amount on December 31, 2019 | $ 478,269 |

The total lease payments to be received in the future for lease-out of investment property under operating leases in 2020 and 2019 are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| 1st year | $ 39,400 | $ 35,906 |
| 2nd year | 24,551 | 22,080 |
| 3rd year | 6,489 | 15,835 |
| 4th year | 6,282 | 5,979 |
| 4th year | 6,565 | 6,178 |
| Over 5 years | 9,148 | 15,455 |
| | $ 92,435 | $ 101,433 |

The investment property was depreciated on the straight-line basis over a 20-year useful life.

The fair value of the investment property on December 31, 2020 and 2019 was valuated independently by Guangzhou First Pacific Davis Real Estate and Land Appraisal

Co., Ltd. and Jiangsu Wanlong Yong-Ding Real Estate and Land Appraisal Co., Ltd. on the balance sheet date. The evaluation was performed with reference to the market evidence related to the transaction price of similar properties. The valuated fair value is as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Fair value | $ 1,132,286 | $ 1,060,649 |

All of the consolidated company's investment properties belong to self-owned equity. For the amount of investment properties pledged as collateral for loans, please refer to Note 37.

XVII. Other intangible assets

| | Patent right | Computer software cost | Total |
|---|---|---|---|
| Cost | | | |
| Balance on January 1, 2020 | $ 23,558 | $ 33,417 | $ 56,975 |
| Acquired separately | - | 7,151 | 7,151 |
| Disposal | ( 1,010) | ( 1,233) | ( 2,243) |
| Net exchange differences | - | ( 1) | ( 1) |
| Balance on December 31, 2020 | $ 22,548 | $ 39,334 | $ 61,882 |
| Cumulative amortization | | | |
| Balance on January 1, 2020 | $ 4,510 | $ 26,908 | $ 31,418 |
| Amortization expense | 1,905 | 5,970 | 7,875 |
| Disposal | ( 1,010) | ( 1,233) | ( 2,243) |
| Net exchange differences | - | ( 1) | ( 1) |
| Balance on December 31, 2020 | $ 5,405 | $ 31,644 | $ 37,049 |
| Net amount on December 31, 2020 | $ 17,143 | $ 7,690 | $ 24,833 |
| Cost | | | |
| Balance on January 1, 2019 | $ 4,535 | $ 40,067 | $ 44,602 |
| Acquired separately | 19,048 | 3,902 | 22,950 |
| Disposal | - | ( 10,543) | ( 10,543) |
| Net exchange differences | ( 25) | ( 9) | ( 34) |
| Balance on December 31, 2019 | $ 23,558 | $ 33,417 | $ 56,975 |
| Cumulative amortization | | | |
| Balance on January 1, 2019 | $ 3,835 | $ 32,884 | $ 36,719 |
| Amortization expense | 700 | 4,572 | 5,272 |
| Disposal | - | ( 10,543) | ( 10,543) |
| Net exchange differences | ( 25) | ( 5) | ( 30) |

| | | | |
|---|---|---|---|
| Balance on December 31, 2019 | $ 4,510 | $ 26,908 | $ 31,418 |
| Net amount on December 31, 2019 | $ 19,048 | $ 6,509 | $ 25,557 |

Since there was no sign of impairment in 2020, the consolidated company did not conduct impairment assessment.

The amortization expense was calculated on the straight-line basis over the following useful lives:

| | |
|---|---|
| Patent right | 3 to 7 years |
| Computer software cost | 1 to 3 years |

Summary of amortization expenses by function:

| | 2020 | 2019 |
|---|---|---|
| Operating cost | $ 5,659 | $ 2,724 |
| Marketing expense | 1,517 | 564 |
| Administrative expense | 699 | 1,245 |
| R&D expense | - | 739 |
| | $ 7,875 | $ 5,272 |

XVIII. Other assets

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Current | | |
| Prepayments | | |
| Prepayment for purchase and expense | $ 109,829 | $ 70,298 |
| Input and refundable tax | 53,662 | 67,551 |
| | $ 163,491 | $ 137,849 |
| Other current assets | | |
| Other financial assets (Note 37) | | |
| – Time deposit pledge | $ 20,000 | $ 15,000 |
| – Current deposit reserve account | 234,667 | 279,395 |
| Construction guarantee deposits paid | 66,118 | 64,520 |
| Others | 2,668 | 1,461 |
| | $ 323,453 | $ 360,376 |

| | 109年12月31日 | 108年12月31日 |
|---|---|---|
| Non-current | | |
| Prepayment for equipment | $ 15,706 | $ 210,371 |

| | | |
|---|---|---|
| Guarantee deposits paid (Note 37) | 232,687 | 225,132 |
| Other non-current assets | | |
| Other financial assets – reserve account (Note 37) | 172,649 | 217,097 |
| Prepayment for equipment | 15,000 | - |
| Overdue receivables | 2,703 | 95,839 |
| Loss allowance – overdue receivables | ( 2,703 ) | ( 95,839 ) |
| Net defined benefit assets (Note 23) | 305 | - |
| Others | 3,450 | 3,450 |
| | $ 439,797 | $ 656,050 |

(I) Prepayment for purchase

The consolidated company's prepayments for purchase were mainly the prepayments made according to the requirements of the material purchase contracts signed between Tainergy and Sino-American Silicon Products Inc.

As of December 31, 2020 and 2019, an accumulated impairment loss of NTD 180,257,000 and NTD 192,916,000 has been appropriated for the prepayment for purchase, respectively. Please refer to the description of Note 11 and 38.

A profit of NTD 12,659,000 and a loss of NTD 140,987,000 were recognized as the gain from price recovery of long-term prepayment for purchase and the operating cost in 2020 and 2019, respectively. Please refer to the description of Note 11.

(II) Prepayment for equipment

The consolidated company's prepayments for equipment are the prepayments made according to the purchase contracts. for purchasing property, plant, and equipment needed for production of the commodities or services to be supplied and for use in the office and business operation,

(III) Guarantee deposits paid

The consolidated company's guarantee deposits paid are mainly the lease security money of NTD 128,400,000 under the Chungli plant lease contract entered into by the consolidated company and Delta Electronics Inc. in June 2019.

The contract performance deposit for inventory sale-leaseback loans of NTD 21,000,000 between Tainergy of the consolidated company and Chailease Finance Co., Ltd. and the deposits deductible from payments for purchased materials and non-returnable deposits paid according to the requirements of the material purchase contract signed between Tainergy of the consolidated company and SunEdison Products Singapore Pte, Ltd. (originally named MEMC Singapore Pte, Ltd.) As of

December 31, 2020 and 2019, the balance of the deposits deductible from payments for purchased materials was NTD 0.

As of December 31, 2020 and 2019, an accumulated impairment loss of NTD 1,048,772,000 has been appropriated for the guarantee deposits paid. Please refer to the description of Note 38.

(IV) Overdue receivables

The consolidated company's overdue receivables are the receivables overdue more than 1 year, and 100% of the loss allowance with respect to such overdue receivables are recognized. Please refer to the description in Note 10.

(V) Other financial assets

The other financial assets of the consolidated company were mainly the bank current deposits for application to the bank for issuance of acceptances and the current deposits and bank accounts pledged for acquisition of project contracts. Please refer to the description in Note 37.

## XIX. Loan

(I) Short-term loans

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Unsecured loans | | |
| Credit loans | $ 110,000 | $ 140,000 |
| Secured loans (Note 37) | | |
| Bank loans | 870,028 | 617,846 |
| | $ 980,028 | $ 757,846 |

The interest rate of working loans on December 31, 2020 and 2019 was 1.64%–5% and 1.755%–5.488%, respectively.

(II) Long-term loans:

| | Maturity date | Material terms | Effective interest rate | December 31, 2020 | December 31, 2019 |
|---|---|---|---|---|---|
| Unsecured loans | | | | | |
| Taiwan Business Bank | August 26, 2021 | The loan totals NTD 20,000,000. The principal and interest are amortized in 20 months on a monthly basis from the date of borrowing. | 2% | $ 8,000 | $ 20,000 |
| Secured loans (Note 37) | | | | | |
| Hua Nan Bank | December 29, 2023 | The loan totals NTD 54,000,000 and is repaid on a monthly basis from January 29, 2011. The interest is paid every month. | 1.6% | 13,900 | 18,377 |
| First Commercial Bank | October 13, 2032 | The loan totals NTD 110,000,000 with a grace period of 1 years. It is disbursed on a lump-sum basis or in installments. The interest is paid every month. The installments of the principal are calculated from the expiry date of the grace period at an interval of 1 month. The principal is amortized in 168 installments. | 1.73% | 94,701 | 101,837 |
| The Shanghai Commercial & Savings Bank | July 27, 2025 | The loan totals NTD 90,000,000 with a grace period of 2 years. It is disbursed on a lump-sum basis or in installments. The interest is paid every month. The installments of the principal are | 1.68% | 90,000 | - |

| | | | | | |
|---|---|---|---|---|---|
| | | calculated from the expiry date of the grace period at an interval of 3 months. The principal is amortized in 12 installments. | | | |
| Taiwan Business Bank | January 10, 2035 | The loan totals NTD 260,000,000 for a period of 15 years (non-revolving) with a grace period of 2 years. It is disbursed on a lump-sum basis. The interest is paid every month. The installments of the principal are calculated from the expiry date of the grace period at an interval of 3 months. The principal is amortized in 52 installments. | 1.45% | 260,000 | - |
| The Shanghai Commercial & Savings Bank | November 10, 2020 (Paid off earlier on June 30, 2020) | The loan totaled NTD 100,000,000 with a grace period of 2 years. The interest was paid every month. The installments of the principal were calculated from the expiry date of the grace period at an interval of 3 months. The principal was amortized in 12 installments. | 2.045% | - | 33,333 |
| Taiwan Business Bank | December 28, 2021 (Paid off earlier on June 29, 2020) | The loan totals NTD 30,000,000. The installments are calculated at an interval of 3 months from December 28, 2018 and NTD 2,500,000 is repaid in each installment. The principal was amortized in 12 installments. The interest is paid every month. | 1.85% | - | 20,000 |
| The Bank of East Asia | October 11, 2026 | The loan totals RMB 44,000,000. The principal and interest are paid equally every month. | 5.338% | 111,052 | 124,681 |
| The Bank of East Asia | October 13, 2026 | The loan totals RMB 46,000,000. The interest is paid every month and the principal is repaid on the due date. | 5.338% | 116,844 | 131,191 |
| Chailease Finance Co., Ltd. | May 20, 2021 | The loan totals NTD 220,326,000. The principal and interest are amortized in 12 installments at an interval of 3 months from the date of borrowing. | 2.85% | 33,420 | 109,585 |
| CHAILEASE SPECIALTY FINANCE CO., LTD. | April 30, 2022 | The loan totals NTD 80,000,000. The interest and principal are amortized on a monthly basis from the date of first drawdown. | 2.6% | 66,290 | - |
| Bank SinoPac | April 28, 2025 | The loan totals NTD 48,550,000. The principal and interest are amortized on a monthly basis from the date of borrowing. | 2.115% | 45,735 | - |
| Bank SinoPac | July 28, 2027 | The loan totals NTD 3,308,000. The principal and interest are amortized in 84 installments at an interval of 1 month from the date of borrowing. | 2.115% | 30,966 | - |
| Bank SinoPac | August 28, 2027 | The loan totals NTD 4,943,000. The principal and interest are amortized in 84 installments at an interval of 1 month from the date of borrowing. | 2.115% | 20,371 | - |
| Yuanta Bank | August 7, 2025 | The loan totals NTD 195,031,000. The principal and interest are amortized in 168 months on a monthly basis. The repayment begins six months after the date of first drawdown. | 2.4% | - | 183,391 |
| Bank SinoPac | May 24, 2024 | The loan totals NTD 149,780,000. The principal and interest are amortized in 144 and 180 months on a monthly basis from the date of first drawdown. | 2.365% | - | 144,467 |
| Bank SinoPac | September 25, 2024 | The loan totals NTD 74,900,000. The principal and interest are amortized in 144 and 180 months on a monthly basis from the date of first drawdown. | 2.365% | - | 73,400 |
| Bank SinoPac | November 22, 2022 | A loan totals NTD 161,028,000. The principal and interest are amortized on a monthly basis from the date of first drawdown. | 2.365% | - | 129,628 |
| Taiwan Business Bank | July 26, 2020 | A loan totals NTD 20,000,000. The principal and interest were amortized on a monthly basis from the date of borrowing. | 2% | - | 7,000 |
| VIB Bank | April 28, 2020 | The loan totaled VND 21,828,016,000. The interest was paid every month and the principle was repaid with 3 months as an installment from the date of first drawdown. | 5%～5.32% | - | 4,743 |
| Chailease Finance Co., Ltd. | April 30, 2021 | The loan totals NTD 40,000,000. The principal and interest are amortized in 30 installments at an interval of 1 month from the date of borrowing. | 3.47% | 21,333 | 37,333 |
| Chailease Finance Co., Ltd. | February 1, 2022 | The loan totals NTD 40,000,000. The principal and interest are amortized in 36 installments at an interval of 1 month from the date of borrowing. | 3.43% | 15,211 | 28,886 |

(Next page)

(Continued from previous page)

| | Maturity date | Material terms | Effective interest rate | December 31, 2020 | December 31, 2019 |
|---|---|---|---|---|---|
| Chailease Finance Co., Ltd. | March 28, 2021 | The loan totals NTD 40,000,000. The principal and interest are amortized in 30 installments at an interval of 1 month from the date of borrowing. | 3.33 % | $ 12,000 | $ 28,000 |
| IBT Leasing Co., Ltd. | February 26, 2021 | The loan totals NTD 40,000,000. The principal and interest are amortized in 24 installments at an interval of 1 month from the date of borrowing. | 4.88% | 2,785 | 25,989 |
| IBT Leasing Co., Ltd. | February 26, 2022 | The loan totals NTD 25,000,000. The principal and interest are amortized in 24 installments at an interval of 1 month from the date of borrowing. | 3.44% | 13,687 | - |
| Hotai Finance Co., Ltd. | March 30, 2022 | The loan totals NTD 50,000,000. The principal and interest are amortized in 24 installments at an interval of 1 month from the date of borrowing. | 3.12% | 31,834 | - |
| Hua Nan Bank | October 18, 2025 | The loan totals NTD 345,000. The principal and interest are amortized in 60 installments at an interval of 1 month from the date of borrowing. | 1.796% | 334 | - |
| Hua Nan Bank | October 18, 2025 | The loan totals NTD 1,955,000. The principal and interest are amortized in 60 installments at an interval of 1 month from the date of borrowing. | 1.905% | 1,890 | - |
| Jih Sun International Leasing & Finance Co., Ltd. | November 28, 2021 | The loan totals NTD 50,000,000. The principal and interest are amortized in 24 installments at an interval of 1 month from the date of borrowing. | 3.53% | - | 47,812 |
| Subtotal | | | | 990,353 | 1,269,653 |
| Less: Due within one year | | | | ( 229,868 ) | ( 323,877 ) |
| Long-term loans | | | | $ 760,485 | $ 945,776 |

For information on the consolidated company's provision of guarantee and pledge for the aforementioned long-term loans, please refer to Note 37.

XX. Notes and accounts payable

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Notes payable | | |
| From operation | $ 161,915 | $ 74,666 |
| Not from operation | 206 | 275 |
| | $ 162,121 | $ 74,941 |
| Accounts payable | | |
| From operation | $ 481,606 | $ 425,962 |

The average credit period for purchasing raw materials, materials and commodities is 30 – 120 days. Interest is not included in the accounts payable recognized with respect to such purchase. The consolidated company reviews the remaining debts on a regular basis to ensure that all payables can be paid back within the agreed term of credit.

XXI. Other liabilities

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Current | | |
| Other payables | | |
| Equipment payment payable | $ 345,845 | $ 74,120 |
| Expenses payable | 502,935 | 681,623 |
| Others | 18,362 | 6,217 |
| | $ 867,142 | $ 761,960 |

| | | |
|---|---|---|
| Other liabilities | | |
| Collections | $ 6,398 | $ 28,610 |
| Refund liabilities | 5,900 | 29,835 |
| Others | 7,367 | - |
| | $ 19,665 | $ 58,445 |
| | | |
| Non-current | | |
| Long-term deferred income | | |
| Government grants (I) | $ 110,393 | $ 137,839 |
| | | |
| Other liabilities | | |
| Guarantee deposits received (II) | $ 279,420 | $ 104,627 |

(I) For the deferred income generated from the government grants acquired by the consolidated company, please refer to Note 30.

(II) The guarantee deposits received were mainly the performance deposit of the development project for the land in Kunshan and the relevant expenses collected/paid for others. Please refer to Note 38.

XXII. Liability reserve

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Current | | |
| Warranty (I) | $ 17,627 | $ 15,018 |
| Rework (II) | 5,392 | 6,451 |
| Onerous contract | 7,660 | 17,948 |
| | $ 30,679 | $ 39,417 |
| | | |
| Non-current | | |
| Warranty (I) | $ 2,575 | $ 7,459 |

(I) The warranty liability reserve is the present value of the best estimate estimated for any future outflow of economic benefits due to warranty obligation by the consolidated company's management according to the agreements in contracts for sale of commodities. The estimate is based on the Company's historical warranty experience and adjusted in consideration of new raw materials, procedural changes or other factors that influence the quality of the products.

(II) The rework liability reserve is an estimated cost in case of rework for the goods that have been sold to the customer. It is stated as operating cost in the account. Since no significant effect is expected with the discount, the measured amount of the rework liability reserve is not discounted.

XXIII. Retirement benefit plan

(I) Defined contribution plan

The pension system applicable to the Company, Kentec and Tainergy of the consolidated company according to the "Labor Pension Act" is the defined pension appropriation plan managed by the government. A pension equal to 6% of an employee's monthly wage shall be appropriated to the individual labor pension account at the Bureau of Labor Insurance.

(II) Defined benefit plan

The pension system applicable to the Company, Kentec and Tainergy of the consolidated company according to the "Labor Standards Act" is the defined retirement benefit plan managed by the government. The years of service rendered and the average wage of six months prior to the approved retirement date shall be the reference for calculation of the pension to be paid to the employee. These companies appropriate 2% of the total wage of an employee as the labor pension fund every month and remit the amount to the labor pension reserve funds account at the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. Before the end of each year, if the assessed balance in the account is inadequate to make a full payment of pensions to the employees who may meet the retirement conditions in the next year, we will make up the difference in one appropriation before the end of March the following year. The account is managed by the Bureau of Labor Funds, Ministry of Labor and the consolidated company does not have the right to influence the investment management strategies.

The amounts of the defined benefit plan included in the consolidated balance sheet are listed as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Present value of defined benefit obligation | $ 205,898 | $ 223,785 |
| Fair value of plan assets | ( 113,026 ) | ( 123,989 ) |
| | 92,872 | 99,796 |
| Plus: Net defined benefit assets (Note 18) | 305 | - |
| Net defined benefit liabilities | $ 93,177 | $ 99,796 |

Changes in net defined benefit liabilities are as follows:

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liabilities |
|---|---|---|---|
| January 1, 2019 | $ 234,051 | ($ 126,102) | $ 107,949 |
| service cost | | | |
| Current service cost | 378 | - | 378 |
| Interest expense (income) | 2,397 | ( 1,303) | 1,094 |
| Recognition in profit or loss | 2,775 | ( 1,303) | 1,472 |
| Remeasurement | | | |
| Return on plan assets (except for any amount included in net interest) | - | ( 4,271) | ( 4,271) |
| Actuarial profit (loss) | | | |
| — Changes in demographic assumption | 239 | - | 239 |
| — Changes in financial assumption | 5,986 | - | 5,986 |
| — Experience adjustments | ( 8,522) | - | ( 8,522) |
| Recognition in other comprehensive income | ( 2,297) | ( 4,271) | ( 6,568) |
| Contribution by employer | - | ( 3,057) | ( 3,057) |
| Payment of benefits | ( 10,744) | 10,744 | - |
| December 31, 2019 | 223,785 | ( 123,989) | 99,796 |
| service cost | | | |
| Current service cost | 186 | - | 186 |
| Interest expense (income) | 1,697 | ( 945) | 752 |
| Recognition in profit or loss | 1,883 | ( 945) | 938 |
| Remeasurement | | | |
| Return on plan assets (except for any amount included in net interest) | - | ( 4,181) | ( 4,181) |
| Actuarial profit (loss) | | | |
| — Changes in demographic assumption | 151 | - | 151 |
| — Changes in financial assumption | 5,196 | - | 5,196 |
| — Experience adjustments | ( 6,450) | - | ( 6,450) |

| | | | |
|---|---|---|---|
| Recognition in other comprehensive income | ( 1,103) | ( 4,181) | ( 5,284) |
| Contribution by employer | - | ( 2,578) | ( 2,578) |
| Payment of benefits | ( 18,667) | 18,667 | - |
| December 31, 2020 | $ 205,898 | ($ 113,026) | $ 92,872 |

The amounts of the defined benefit plan recognized in profit or loss are summarized by function as follows:

| | 2020 | 2019 |
|---|---|---|
| Operating cost | $ 916 | $ 1,058 |
| Marketing expense | 362 | 326 |
| Administrative expense | ( 604) | ( 382) |
| R&D expense | 264 | 470 |
| | $ 938 | $ 1,472 |

The consolidated company is exposed to the following risks due to the pension system under the "Labor Standards Act":

1. Investment risk: The Bureau of Labor Funds, Ministry of Labor separately has invested the labor pension fund in domestic (foreign) equity and debt securities, and bank deposits. The investment is conducted at the discretion of the Bureau or under the mandated management. However, the profit generated from the consolidated company's plan assets shall be calculated with an interest rate not below the interest rate for a 2-year time deposit with local banks.
2. Interest rate risk: A decrease in the interest rates of government bonds and corporate bonds leads to increase the present value of the defined benefit obligation, and the return on debt investment of the plan assets will be increased accordingly. The net defined benefit liabilities may be partially offset by both increases.
3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salary of the plan participants. Therefore, the present value of the defined benefit obligation will be increased due to an increase in the plan participants' salary.

The consolidated company's present value of the defined benefit obligation was calculated actuarially by a qualified actuary. The major assumptions on the date of measurement are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Discount rate | 0.5% | 0.75%～1% |

| | | |
|---|---|---|
| Anticipated salary increase rate | 2.25%～3% | 2.25%～3% |

If there were any reasonably possible changes to the major actuarial assumptions separately, the resulting increase (decrease) in the present value of the defined benefit obligation in the situation where all the other assumptions remained the same is as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Discount rate | | |
| Increase by 0.25% | ($ 4,901) | ($ 5,504) |
| Decrease by 0.25% | $ 5,081 | $ 5,709 |
| Anticipated salary increase rate | | |
| Increase by 0.25% | $ 4,887 | $ 5,507 |
| Decrease by 0.25% | ($ 4,741) | ($ 5,338) |

Since the actuarial assumptions might be correlated to each other, and it was unlikely that the changes were only in a single assumption, the aforesaid sensitivity analysis might not reflect the actual changes in the present value of the defined benefit obligation.

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Expected contribution within 1 year | $ 2,732 | $ 3,141 |
| Average maturity of defined benefit obligations | 9.2～15.5年 | 9.6～16.3年 |

(III) Since B.V.I.－Kenmec International, Kenmec Technology, Kenmec Fuoing, Kenmec Mecha-Tronics, Kenmec Property Development, Fraternity Kunshan, B.V.I.－Kenmec Communication, Kenmec Vietnam, Ample, SMOA – Tainergy Tech, Tainergy Kunshan, Kunshan SENSIC Electronic Materials Co., Ltd., Kunshan Jichang Energy Technology Co., Ltd., and Vietnergy Company Limited of the consolidated company have not established employee retirement regulations and the local government does not formulate mandatory employee retirement regulations, the aforesaid information does not apply.

XXIV. Maturity analysis on asset liabilities

The assets and liabilities of the consolidated company with respect to the construction business are classified as current or non-current with the operating cycle as the standard. The related amount recognized based on the amount anticipated to be recovered or reimbursed within a year and more than a year after the balance sheet date is as follows:

| | Within 1 year | More than 1 year | Total |
|---|---|---|---|
| December 31, 2020 | | | |
| Asset | | | |
| Contract assets | $ 21,539 | $ 427,715 | $ 449,254 |
| Liability | | | |
| Contract liabilities | $ 83,412 | $ 664,518 | $ 747,930 |
| December 31, 2019 | | | |
| Asset | | | |
| Contract assets | $ 44,286 | $ 272,762 | $ 317,048 |
| Liability | | | |
| Contract liabilities | $ 163,564 | $ 365,936 | $ 529,500 |

XXV. Equity

(I) Share capital

Common stock

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Number of authorized shares (thousand shares) | 402,000 | 402,000 |
| Authorized capital | $ 4,020,000 | $ 4,020,000 |
| Number of shares issued and fully paid (thousand shares) | 249,011 | 249,011 |
| Issued capital | $ 2,490,112 | $ 2,490,112 |

(II) Capital reserve

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Available for makeup of loss, distribution of cash dividends or transfer into capital (1) | | |
| Stock issuance in excess of par value | $ 800,173 | $ 800,173 |
| Treasury stock trading | 68,626 | 52,332 |
| Difference between the actual price for acquisition of equity in subsidiaries and the book value | 15,332 | 15,278 |
| Only available for makeup of loss (2) | | |

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Recognition of changes in equity ownership in subsidiaries | 19,324 | 19,312 |
| | $ 903,455 | $ 887,095 |

1. These capital reserves may be used to make up losses or to distribute cash dividends or be transferred into the capital if the Company does not incur a loss. However, the amount of the transfer into the capital shall be limited to a certain percentage of the paid-in capital in every year.
2. These capital reserves are the equity transaction effects recognized by the Company as a result of the changes of the equity in subsidiaries when the Company does not actually acquire or dispose the equity of the subsidiaries, or the adjustments for the Company to recognize subsidiaries' capital reserves under the equity method.

(III) Retained earnings and dividend policy

The Company approved the Articles of Incorporation through the resolution made at the shareholders' meeting on June 23, 2020. They expressly specify that the Company authorizes the Board of Directors to distribute the distributable dividends and bonuses in the form of cash and report at the shareholders' meeting.

According to the Company's earnings distribution policy specified in the amendments of the Articles of Incorporation, if the Company has a profit at the year's final accounting, it shall first pay the income tax and make up any cumulative losses in accordance with laws, and then make a 10% contribution of the balance to the legal reserve, and also make provision/reversal of special reserves pursuant to the laws. Any balance thereof shall, together with the accumulated undistributed earnings and the "adjusted amount of the annual undistributed profits," be submitted by the Board of Directors in the form of an earnings distribution proposal to the shareholders' meeting for ratification. For the distribution policy of employee and director/supervisor remuneration regulated in the Company's Articles of Incorporation, please refer to (VIII) Remuneration to employees, directors, and supervisors in Note 27.

The Company's business is currently in the stage of operational growth, requiring profits to be retained as funding necessary for operational growth and investments. Therefore, the Company currently adopts a "balance as dividend" policy, giving consideration to the distribution of a balanced dividend equaling at least 50% of the annual net profits after tax. The Board of Directors may, however, submit a proposal for distribution to the shareholders' meeting for decision after taking into account the actual funding situation of the Company.

Profits may be distributed in the form of a combination of cash and stock dividends, provided that cash dividend is at least 20% of the total dividend. The shareholders' meeting may, however, make adjustment thereto based on future funding plans.

Legal reserves shall be prepared to the amount at which the balance of the legal reserves reaches to the total paid-in capital. Legal reserves may be used to make up loss. Where the Company does not sustain loss, the part of the legal reserves that exceeds the total paid-in capital by 25% may be appropriated as capital or distributed by cash.

The Company provides and reverses special reserve according to the Letter Jin-Guan-Zheng-Fa-Zi No. 1010012865 and "Q&A for Provision of Special Reserve Upon First-Time Adoption of IFRSs."

The Company held the general shareholders' meetings on June 23, 2020 and June 25, 2019. Earnings distribution and loss make-up proposals in 2019 and 2018 approved at the said meetings are as follows:

| | 2019 | 2018 |
|---|---|---|
| Legal reserve | $ 134,786 | $ - |
| Special reserve | $ 209,226 | $ - |
| Cash dividend | $ 492,022 | $ - |
| Special reserves for offsetting losses | $ - | $ 224,254 |
| Cash dividend per share (NTD) | $ 2.0 | $ - |

In consideration that many shareholders hold shares for a long period of time and the investment cost is much higher than the market price, the Company held a general shareholders' meeting on June 25, 2019 to resolve that the Company distributes cash dividend of NTD 123,116,000 to shareholders using the capital reserve generated from issue of new shares at a premium. The distributed amount of cash dividend was TWD 0.505 per share based on the 243,958,000 outstanding shares gained from 249,011,000 issued shares minus 5,053,000 treasury shares.

Earnings in 2020 was discussed by the Board of Directors on March 19, 2021. The proposal of distribution is as follows:

| | 2020 |
|---|---|
| Cash dividend from capital reserve | $ 370,517 |
| Cash dividend from capital reserve per share (NTD) | $ 1.5 |

Distribution of the aforementioned cash dividend was approved by the Board of Directors. The rest is to be resolved at the annual shareholders' meeting on June 25, 2021.

(IV) Special reserve

| | 2020 | 2019 |
|---|---|---|
| Balance – beginning of the year | $ 119,346 | $ 343,600 |
| Earnings set aside as special reserve | 209,226 | - |
| Loss to be covered | - | ( 224,254 ) |
| Balance – ending of the year | $ 328,572 | $ 119,346 |

The special reserve set aside for the land when IFRSs are applied for the first time may be reversed at the time of disposal or reclassification. The special reserve set aside for the exchange differences from the translation of foreign operations' financial statements (including subsidiaries) is reserved according to the percentage of disposal. It will be completely reversed when the consolidated company loses the significant influence. When earnings are distributed, a special reserve shall be set aside for the difference between the net deduction of other shareholder's equities stated on the end date of the reporting period and the special reserve set aside when IFRSs are applied for the first time. If there is any reversal of the decrease in shareholders' equity, the earnings may be distributed based on the reversal proportion.

(V) Other equities

1. Exchange differences in the financial statement translation of the foreign operation:

| | 2020 | 2019 |
|---|---|---|
| Balance – beginning of the year | ($ 265,996) | ($ 198,840) |
| Amounts incurred in the year | | |

| | | |
|---|---|---|
| Exchange differences from foreign operations | 2,099 | ( 60,057) |
| Acquisition of partial equity in subsidiaries | ( 371) | ( 7,099) |
| Balance – ending of the year | ($ 264,268) | ($ 265,996) |

2. Unrealized profit/loss on valuation of financial assets measured at fair value through other comprehensive income

| | 2020 | 2019 |
|---|---|---|
| Balance – beginning of the year | ($ 6,731) | ($ 16,325) |
| Other comprehensive income for the year | ( 7,917) | 9,452 |
| Acquisition of partial equity in subsidiaries | ( 1) | 142 |
| Balance – ending of the year | ($ 14,649) | ($ 6,731) |

(VI) Non-controlling equity

| | 2020 | 2019 |
|---|---|---|
| Balance – beginning of the year | $ 1,317,587 | $ 1,741,076 |
| Current net loss | ( 2,473) | ( 350,107) |
| Other comprehensive income for the year | | |
| Exchange differences in the financial statement translation of the foreign operation | ( 31,400) | ( 41,490) |
| Remeasurement of defined benefits plans | ( 413) | ( 256) |
| Acquisition of partial equity in Tainergy (Note 32) | 318 | ( 15,278) |
| Non-controlling equity – increase of capital in Kenmec Property Development not according to shareholding ratio (Note 32) | ( 35) | ( 16,358) |
| Non-controlling equity – increase of capital in Taisic Materials not according to shareholding ratio (Note 32) | 23 | - |
| Acquisition of equity in Taisic Materials | 21,068 | - |
| Non-controlling equity related to outstanding vested stock | 88 | - |

| | | |
|---|---|---|
| options held by Kentec's employees | | |
| Balance – ending of the year | $ 1,304,763 | $ 1,317,587 |

(VII) Treasury stock

| Cause of repurchase | Transfer of shares to employees (thousand shares) |
|---|---|
| Number of shares on January 1, 2019 | 2,778 |
| Increase in the year | 4,823 |
| Decrease in the Year | ( 5,601 ) |
| Number of shares on December 31, 2019 | 2,000 |
| | |
| Number of shares on January 1, 2020 | 2,000 |
| Increase in the year | 1,000 |
| Decrease in the Year | ( 3,000 ) |
| Number of shares on December 31, 2020 | - |

According to the Securities and Exchange Act, the number of shares repurchased may not exceed ten percent of the Company's total number of issued shares; the total amount of the repurchased shares may not exceed the amount of retained earnings plus premium on capital stock and realized capital reserve. The shares repurchased by the Company as mentioned above shall be transferred within 3 years of the repurchase date. Otherwise, the shares shall be deemed as not issued by the Company, and amendment registration shall be processed.

On August 17, 2020, the consolidated company transferred 2,000,000 treasury shares and 1,000,000 common shares to the employees at a price of NTD 15.56 and NTD 14.77 per share, respectively. The consolidated company recognized NTD 16,510,000 in compensation cost on the grant date. The total transfer price was NTD 45,890,000. The difference of NTD 16,382,000 after deduction of the treasury stock trading cost of NTD 137,000 and the treasury stock buyback cost of NTD 45,881,000 was credited under consolidated company's capital reserve – treasury stock trading NTD 16,294,000 and non-controlling equity increase NTD 88,000. The record date was August 17, 2020.

The Black-Scholes valuation model was used for the employee stock options granted by the consolidated company in August 2020. The inputs used in the valuation model are as follows:

| | August 2020 |
|---|---|
| Price on grant date | 20.8 元 |
| Exercise price | 15.56/14.77 元 |
| Anticipated volatility | 39.17 |
| Lifetime | 0.068 年 |
| Expected dividend rate | - |
| Risk-free interest rate | 0.1165 |

The anticipated volatility is based on the historical stock price volatility over the past year. It is acquired by calculating the daily natural log return during the sample period based on the daily adjusted stock price and multiplying the daily return standard deviation by the radical 243.

On August 7, 2019, the consolidated company transferred 2,778,000 treasury shares and 2,823,000 common shares to the employees at a price of NTD 9.46 and NTD 14.14 per share, respectively. The consolidated company recognized NTD 14,102,000 in compensation cost on the grant date. The total transfer price was NTD 66,197,000. The difference of NTD 13,898,000 after deduction of the treasury stock trading cost of NTD 199,000 and the treasury stock buyback cost of NTD 66,202,000 was credited under the capital reserve – transaction of treasury stock. The record date was August 8, 2019.

The Black-Scholes valuation model was used for the employee stock options granted by the consolidated company in August 2019. The inputs used in the valuation model are as follows:

| | August 2019 |
|---|---|
| Price on grant date | NTD 14.15 |
| Exercise price | NTD 9.46/14.14 |
| Anticipated volatility | 33.57 |
| Lifetime | 0.0384 year |
| Expected dividend rate | - |
| Risk-free interest rate | 0.34 |

The anticipated volatility is based on the historical stock price volatility over the past year. It is acquired by calculating the daily natural log return during the sample period based on the daily adjusted stock price and multiplying the daily return standard deviation by the radical 245.

According to the Securities and Exchange Act, the treasury stock held by the consolidated company shall not be pledged and entitled to any dividends and voting rights.

## XXVI. Revenue

| | 2020 | 2019 |
|---|---|---|
| Revenue from contracts with customers | | |
| Revenue from sale of products | $ 3,089,459 | $ 3,032,279 |
| Construction income | 1,121,514 | 1,272,618 |
| Service income | 87,317 | 58,876 |
| | $ 4,298,290 | $ 4,363,773 |

### (I) Description of contracts with customers

1. Revenue from sale of commodities

Revenue from sale of commodities is generated from the sales of products. Once the products are delivered to the customer-designated location and accepted by the customer, the customer is entitled to the products' price determination and right of use, has the main responsibility to resell the products, and takes the risk that the products might become outdated. Therefore, the revenue and accounts receivable are recognized at that point of time.

Solar cells and modules were sold to downstream manufactures in the solar energy sector. The Company sold the products at the price agreed in the contract, quotation or order.

2. Construction income

Since the cost of construction is directly related to the percentage of fulfillment of the contractual obligation, the consolidated company measures the progress based on the percentage of the actually invested cost in the estimated total cost. The consolidated company progressively recognizes contract assets during the construction and transfer them to accounts receivable when issuance of bills. If the construction proceeds received exceed the revenue recognized, the difference is recognized as contract liabilities. Construction retainage retained by customers according to contractual terms and conditions is to ensure that the consolidated company fulfills all the contractual obligation thereof and is recognized as contract assets before the fulfillment of the contract.

If the result of the fulfillment cannot be measured reliably, the contract income is recognized only within the scope of the actually incurred contract fulfillment cost expected to be recovered.

3. Service income

Service income derives from repair of equipment.

With provision of the equipment repair service from the consolidated company, the customer acquires and consumes the benefit from performance of the contract. Related income is recognized when services are completely provided. Since payment is made after completion of the repair as agreed in the contract, the consolidated company recognizes the service income as contract assets when the service is provided and transfer it to account receivable when the repair is completed.

(II) Balance of contract amount

| | December 31, 2020 | December 31, 2019 | January 1, 2019 |
|---|---|---|---|
| Accounts and notes receivable (Note 10) | $ 535,298 | $ 773,343 | $ 920,702 |
| Contract assets | | | |
| Solar equipment construction | $ 14,102 | $ 34,795 | $ 36,021 |
| Construction of automated equipment | 435,152 | 282,253 | 443,602 |
| Contract assets – current | $ 449,254 | $ 317,048 | $ 479,623 |
| Contract liabilities | | | |
| Sale of goods | $ 57,106 | $ 103,692 | $ 94,206 |
| Solar equipment construction | 7,857 | 28,884 | 11,003 |
| Construction of automated equipment | 682,967 | 396,924 | 365,125 |
| Lease liabilities – current | $ 747,930 | $ 529,500 | $ 470,334 |

Changes in loss allowance for contract assets are as follows:

| | 2020 | 2019 |
|---|---|---|
| Contract assets | | |
| Balance – beginning of the year | $ - | $ - |
| Plus: Impairment loss appropriated in the year | - | 156,370 |

| | | |
|---|---|---|
| Less: Actual amount written off in the year | - | ( 156,370 ) |
| Balance – ending of the year | $ - | $ - |

(III) Customer contract income breakdown

Please refer to Note 41 for the breakdown.

XXVII. Net profit (loss) of continuing operations

(I) Interest income

| | 2020 | 2019 |
|---|---|---|
| Bank deposit | $ 12,641 | $ 13,701 |

(II) Other revenue

| | 2020 | 2019 |
|---|---|---|
| Rental income | | |
| Investment property | $ 39,012 | $ 50,418 |
| Government subsidy income (Notes 30) | 97,203 | 25,738 |
| Dividend income | 1,811 | 2,615 |
| Consultation service Income | 12,766 | - |
| Others | 15,321 | 14,172 |
| | $ 166,113 | $ 92,943 |

(III) Other profits and losses

| | 2020 | 2019 |
|---|---|---|
| Property, plant and equipment profit (loss) | ( $ 325 ) | $ 1,989,511 |
| Profit (loss) on disposal of subsidiaries (Notes 31) | ( 50,196 ) | - |
| Net foreign exchange profit (loss) | 7,927 | ( 39,066 ) |
| Loss on financial assets and liabilities | | |
| Financial assets mandatorily measured at fair value through profit or loss | ( 2,940 ) | ( 4,531 ) |
| Impairment loss | ( 5,210 ) | ( 227,945 ) |
| Other revenues and expenses | ( 1,059 ) | ( 8,206 ) |
| | ( $ 51,803 ) | $ 1,709,763 |

The Company of the consolidated company sold the land and building of the Chungli plant on April 17, 2019. The sales price was NTD 2,568,000,000 and a profit on disposal amounting to NTD 1,952,286,000 was gained after the book value of the property and the trading cost related to the sale were deducted. The profit was stated as profit on disposal of property, plant and equipment.

For the impairment loss recognized by the consolidated company in 2020 and 2019, please refer to the description in Notes 11 and 14.

(IV) Financial cost

| | 2020 | 2019 |
|---|---|---|
| Bank loan interest | $ 74,444 | $ 84,406 |
| Interest on lease liabilities | 2,464 | 8,612 |
| | $ 76,908 | $ 93,018 |

Information on Capitalization of interest:

| | 2020 | 2019 |
|---|---|---|
| Capitalization of interest - amount | $ 4,642 | $ 3,955 |
| Capitalization of interest – interest rate | 2.85%～3.092% | 2.9698%～5.1887% |

(V) Impairment reversal (loss)

| | 2020 | 2019 |
|---|---|---|
| Inventory (incorporated in operating cost) | $ 26,577 | ($ 1,148) |
| Inventories (incorporated in other profits and losses) | - | ( 65,750) |
| Prepayment for purchase (incorporated in operating cost) | - | ( 64,955) |
| Long-term prepayment for purchase (incorporated in operating cost) | 12,659 | ( 76,032) |
| Property, plant, and equipment (incorporated in other profits and losses) | ( 5,210) | ( 162,195) |
| | $ 34,026 | ($ 370,080) |

(VI) Depreciation and amortization

| | 2020 | 2019 |
|---|---|---|
| Summary of depreciation expenses by function | | |
| Operating cost | $ 342,978 | $ 499,614 |
| Operating expense | 116,353 | 118,840 |
| | $ 459,331 | $ 618,454 |
| Summary of amortization expenses by function | | |
| Operating cost | $ 3,370 | $ 2,724 |
| Operating expense | 4,505 | 2,548 |
| | $ 7,875 | $ 5,272 |

(VII) Employee benefit expense

| | 2020 | 2019 |
|---|---|---|
| Short-term employee benefits | $ 965,703 | $ 1,168,880 |
| Retirement benefits | | |
| Defined contribution plan | 23,547 | 25,380 |
| Defined benefit plan (Note 23) | 938 | 1,472 |
| | 24,485 | 26,852 |
| Share-based payment (Note 25) | 16,510 | 14,102 |
| Total employee benefit expenses | $ 1,006,698 | $ 1,209,834 |

| | 2020 | 2019 |
|---|---|---|
| Summarized by function | | |
| Operating cost | $ 563,551 | $ 617,189 |
| Operating expense | 443,147 | 592,645 |
| | $ 1,006,698 | $ 1,209,834 |

(VIII) Remuneration to employees, directors and supervisors

After deducting the profit before tax of the current year prior to distribution of the remuneration to employees, directors and supervisors, the amount to the percentage of 5%–15% was distributed as remuneration to employees and 1%–3% was distributed as the remuneration to directors and supervisors.

The remuneration to employees, directors and supervisors in 2019 was resolved by the Board of Directors on March 19, 2020 as follows:

Estimated ratio

| | 2019 |
|---|---|
| Remuneration to employees | 5% |
| Remuneration to directors and supervisors | 1.5% |

Amount

| | 2019 |
|---|---|
| Remuneration to employees | $ 72,412 |
| Remuneration to directors and supervisors | $ 21,724 |

Since there are losses before tax in 2020, no estimates were made for the remuneration to the employees or directors and supervisors.

If there were any changes in the amount after the approval and release date of annual consolidated financial statements, the change was treated as a change in accounting estimate and accounted in the following year.

There was no discrepancy between the actual distribution of remuneration to employees, directors and supervisors in 2019 and 2018 and the amount recognized in the consolidated financial statements in 2019 and 2018.

The information about remuneration to the employees and directors/supervisors in 2020 and 2019 resolved by the Board of Directors may be viewed at the "MOPS" of TWSE.

(IX) Foreign exchange (loss) gain

| | 2020 | 2019 |
|---|---|---|
| Total profit from translation of foreign currencies | $ 110,100 | $ 91,069 |
| Total loss from translation of foreign currencies | ( 102,173 ) | ( 130,135 ) |
| Net profit (loss) | $ 7,927 | ($ 39,066 ) |

## XXVIII. Income tax of continuing operations

(I) Income tax recognized in profit or loss

Major components of income tax profit are as follows:

| | 2020 | 2019 |
|---|---|---|
| Current income tax | | |
| Tax incurred in the year | ($ 1,141) | ($ 3,086) |
| Adjustments for the previous year | ( 3,750) | 2,996 |
| ADDITIONAL TAX LEVIED ON UNDISTRIBUTED EARNINGS | 16,115 | - |
| Land incremental tax | - | 83,256 |
| Deferred income tax | | |
| Tax incurred in the year | ( 14,727) | ( 98,739) |
| Tax benefits recognized in profit or loss | ($ 3,503) | ($ 15,573) |

Adjustments to accounting income and income tax profit are as follow:

| | 2020 | 2019 |
|---|---|---|
| Net profit (loss) before tax of continuing operations | ($ 103,128) | $ 979,523 |
| Income tax (profit) expense on net profit (loss) before tax calculated at the statutory tax rate | ($ 39,874) | $ 141,592 |
| Expense and loss not deductible from tax | 1,344 | 110 |
| Additional tax levied on undistributed earnings | 16,115 | - |
| Non-taxable income | ( 7,442) | ( 363,273) |
| Land incremental tax | - | 83,256 |
| Unrecognized loss carryforwards | 34,714 | 166,696 |
| Unrecognized deductible temporary difference | ( 4,610) | ( 46,950) |
| Adjustment to income tax expenses of the previous year in the period | ( 3,750) | 2,996 |
| Tax benefits recognized in profit or loss | ($ 3,503) | ($ 15,573) |

The government amended the Statute for Industrial Innovation and promulgated the amendment version in July 2019. It expressly specifies that the undistributed earnings in and after 2018 used for construction or purchase of specific assets or techniques may be stated as a deduction in calculation of undistributed earnings. When calculating the 2019 undistributed earnings tax, the consolidated company only deducts the amount of the capital expenditure actually used in reinvestment.

(II) Income tax recognized in other comprehensive income

| | 2020 | 2019 |
|---|---|---|
| Deferred income tax | | |
| Amounts incurred in the year | | |
| - Translation from foreign operations | ($ 355) | ($ 15,016) |
| - Remeasurement of defined benefits plans | 970 | 1,165 |
| | $ 615 | ($ 13,851) |

(III) Current income tax assets and liabilities

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Deferred income tax assets | | |
| Income tax refund receivable | $ 9,169 | $ 4,900 |
| Current tax liabilities | | |
| Income tax payable | $ 15,927 | $ - |

(IV) Deferred income tax assets and liabilities

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

2020

| | Balance – beginning of the year | Recognition in profit or loss | Recognition in other comprehensive income | Balance – ending of the year |
|---|---|---|---|---|
| Deferred income tax assets | | | | |
| Temporary difference | | | | |
| Defined retirement benefit plan | $ 18,459 | ($ 253) | ($ 970) | $ 17,236 |
| Exchange differences from foreign operations | 12,517 | - | 355 | 12,872 |
| Property, plant, and equipment impairment loss | 30,068 | 12,259 | - | 42,327 |
| Others | 168,854 | 3,277 | - | 172,131 |
| | $ 229,898 | $ 15,283 | ($ 615) | $ 244,566 |
| Deferred income tax liabilities | | | | |
| Temporary difference | | | | |
| Land incremental tax | ($ 56,108) | $ - | $ - | ($ 56,108) |
| Others | ( 843) | ( 556) | - | ( 1,399) |
| | ($ 56,951) | ($ 556) | $ - | ($ 57,507) |

2019

| | Balance – beginning of the year | Recognition in profit or loss | Recognition in other comprehensive income | Balance – ending of the year |
|---|---|---|---|---|
| Deferred income tax assets | | | | |
| Temporary difference | | | | |
| Defined retirement benefit plan | $ 19,840 | ($ 216 ) | ($ 1,165 ) | $ 18,459 |
| Exchange differences from foreign operations | 9,779 | ( 12,278 ) | 15,016 | 12,517 |
| Property, plant, and equipment impairment loss | - | 30,068 | - | 30,068 |
| Others | 171,325 | ( 2,471 ) | - | 168,854 |
| | $ 200,944 | $ 15,103 | $ 13,851 | $ 229,898 |
| Deferred income tax liabilities | | | | |
| Temporary difference | | | | |
| Land incremental tax | ( $ 139,364 ) | $ 83,256 | $ - | ( $ 56,108 ) |
| Others | ( 1,223 ) | 380 | - | ( 843 ) |
| | ( $ 140,587 ) | $ 83,636 | $ - | ( $ 56,951 ) |

(V) Amounts of deductible temporary difference of the deferred income tax assets unrecognized in consolidated balance sheet, unused loss carryforwards, and unused investment tax credits

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Loss carryforwards | | |
| Mature in 2020 | $ - | $ 77,518 |
| Mature in 2021 | 209,142 | 205,702 |
| Mature in 2022 | 262,798 | 259,110 |
| Mature in 2023 | 1,067,344 | 992,837 |
| Mature in 2024 | 328,135 | 328,290 |
| Mature in 2025 | 136,619 | 86,864 |
| Mature in 2026 | 128,466 | 128,466 |
| Mature in 2027 | 771,774 | 771,462 |
| Mature in 2028 | 1,246,694 | 1,326,007 |
| Mature in 2029 | 499,895 | 711,631 |
| Mature in 2030 | 231,406 | - |
| | $ 4,882,273 | $ 4,887,572 |
| Deductible temporary difference | | |
| Inventory devaluation loss | $ 33,049 | $ 58,307 |
| Allowance for loss | 78,047 | 107,251 |
| Guarantee deposits paid impairment | 328,779 | 328,341 |
| Unrealized exchange gain | 11,008 | 20,857 |

(Next page)

(Continued from previous page)

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Property, plant, and equipment impairment loss | 854,216 | 455,239 |
| Unrealized warranty expense | 1,292 | 6,566 |
| Unrealized construction loss | 4,161 | 5,966 |
| Others | 215,815 | 242,261 |
| | $ 1,526,367 | $ 1,224,788 |

(VI) Information on unused investment tax credits, loss carryforwards and tax exemption

The 2014 investment plan of Tainergy of the consolidated company for expanding the production scale of solar cells and their modules by increase of capital was approved by the Industrial Development Bureau, Ministry of Economic Affairs, by Letter Gong-Zhong-Zi No. 10305100630 on December 25, 2014, and the profit-seeking business income tax was exempted for 5 consecutive years from January 1, 2018.

As at December 31, 2020, the following income from expansion of the production scale by increase of capital is tax-free for 5 years:

| Expansion by Increase of Capital | Tax Exemption Period |
|---|---|
| Production of solar cells and their modules | 2018 to 2022 |

(VII) Authorization of income tax

The consolidated company's profit-seeking business income tax filings up until 2018 had been approved by the tax authority.

XXIX. Earnings (loss) per share

Unit: NTD per share

| | 2020 | 2019 |
|---|---|---|
| Basic earnings (loss) per share | | |
| Continuing operations | ($ 0.39) | $ 5.47 |
| Diluted earnings (loss) per share | | |
| Continuing operations | ($ 0.39) | $ 5.37 |

The net profit (loss) and the weighted average number of common stocks used for calculating earnings (loss) per share are as follows:

Net profit (loss) in the current year

| | 2020 | 2019 |
|---|---|---|

| | | |
|---|---|---|
| Net profit (loss) used for calculation of basic earnings (loss) per share | ($ 97,152) | $ 1,345,203 |
| Net profit (loss) used for calculation of diluted earnings (loss) per share | ($ 97,152) | $ 1,345,203 |

Number of shares

Unit: thousand shares

| | 2020 | 2019 |
|---|---|---|
| Weighted average number of common stocks used for calculation of basic earnings (loss) per share | 247,218 | 245,991 |
| Effect of dilutive potential common stocks: | | |
| Remuneration to employees | - | 4,569 |
| Weighted average number of common stocks used for calculation of diluted profit (loss) per share | 247,218 | 250,560 |

When the consolidated company can select stocks or cash as the remuneration to employees, it is assumed that the employee's remuneration is paid with stocks when the diluted EPS is calculated. The weighted average outstanding common stocks are added when the potential common stocks have diluting capability to calculate the diluted EPS. The diluting capability of the potential common stocks is referenced in the next year when the Board of Directors resolved to calculate the diluted EPS prior to payment of the employee's remuneration with stocks.

## XXX. Government grants

(I) Tainergy Technology (Kunshan) Co., Ltd. of the consolidated company established factories in Kunshan Economic and Technological Development Zone (KETD) for production of solar cells in 2008. To provide preferential investment conditions, the KETD Administration Committee agreed on a one-off subsidy of NTD 155,756,000 for construction of infrastructure in consideration of the investment of the Tainergy Technology (Kunshan) Co., Ltd. and the geology of the land for which the right-of-use had been acquired. The subsidy was subject to amortization in 50 years based on the effective period of the right-of-use of the land. As at December 31, 2020 and 2019, the balance of the amortization was NTD 108,724,000 (RMB 24,840,000) and NTD 109,726,000 (RMB 25,488,000), respectively, and stated as long-term deferred income.

NTD 2,774,000 and NTD 2,876,000 were recognized in profit in 2020 and 2019, respectively.

(II) Tainergy Technology (Kunshan) Co., Ltd. of the consolidated company acquired a one-off equipment subsidy of NTD 3,889,000 (RMB 859,000) from the government in 2015, 2016 and 2017, respectively. The respective subsidy was subject to amortization in 5 to 10 years based on the useful life of the equipment. As at December 31, 2020 and 2019, the balance of the amortization was NTD 1,668,000 (RMB 381,000) and NTD 2,492,000 (RMB 579,000), respectively, and stated as long-term deferred income. NTD 847,000 and NTD 878,000 were recognized in profit in 2020 and 2019, respectively.

(III) The acceptance inspection of the solar power system construction project that Tainergy of the consolidated company implemented in Chungli plant, Taoyuan City, was completed in October 2011 and a subsidy of NTD 76,616,000 was acquired from the Bureau of Energy, Ministry of Economic Affairs. This amount was stated as deferred income and subject to amortization in 16 years based on the economic benefit period of the project. Due to changes to the leasing period of the premises where the solar power system was constructed, relevant useful life was adjusted and Tainergy of the consolidated company amortized the transferred profit/loss in the rest leasing period of 18 months from the date on which the contract was revised. As at December 31, 2020 and 2019, the NTD 0 and NTD 24,705,000 were stated as long-term deferred income, respectively, and NTD 24,705,000 and NTD 17,722,000 were recognized in profit in 2020 and 2019, respectively.

(IV) Cheng Yang Energy Co., Ltd. of the consolidated company acquired a subsidy of NTD 1,000,000 from the government in July 2019 for construction of the PV generation system. This amount was stated as deferred income and transferred in profit/loss within the useful life of the assets. It was then disposed and transferred by Cheng Yang Energy in April 2020. NTD 66,000 and NTD 33,000 were recognized in profit in 2020 and 2019, respectively.

(V) The consolidated company applied for subsidization of wage and working capital for the difficult companies in the manufacture and technical service industries affected by severe pneumonia with novel pathogens, and received a grant of NTD 53,447,000 from the Ministry of Economic Affairs as of December 31, 2020.

XXXI. Disposal of subsidiaries

Tainergy of the consolidated company entered into an agreement for disposal of Cheng Yang Energy Co., Ltd. (Hereinafter referred to as “Cheng Yang”) on April 27, 2020.

The disposal was completed on April 28, 2020, and Tainergy lost the control over the subsidiary.

(I) Consolidation received

| | Cheng Yang |
|---|---|
| Cash and cash equivalents | $ 283,496 |
| Total consolidation received | $ 283,496 |

(II) Analysis of assets and liabilities over which the control is lost

| | Cheng Yang |
|---|---|
| Current assets | |
| Cash and cash equivalents | $ 35,024 |
| Accounts receivable | 28,436 |
| Contract assets | 3,062 |
| Other receivables | 1,914 |
| Current income tax assets | 796 |
| Prepayments | 9,146 |
| Other current assets | 4,200 |

| | Cheng Yang |
|---|---|
| Non-current assets | |
| Financial assets measured at amortized cost – non-current | 49,622 |
| Property, plant and equipment | 697,448 |
| Right-of-use assets | 17,971 |
| Current liabilities | |
| Other payables | ( 66,812 ) |
| Current income tax liabilities | ( 868 ) |
| Lease liabilities – current | ( 849 ) |
| Other current liabilities | ( 33,245 ) |
| Non-current liabilities | |
| Long-term loans | ( 393,874 ) |
| Lease liabilities – non-current | ( 17,379 ) |
| Long-term deferred income | ( 900 ) |
| Net assets disposed | $ 333,692 |

(III) Gain on disposal of subsidiaries

| | Cheng Yang |
|---|---|
| Consolidation received | $ 283,496 |
| Net assets disposed | ( 333,692 ) |
| Loss on disposal of subsidiaries | ( 50,196 ) |
| Realized profit | 137,531 |
| Net gain | $ 87,335 |

Since the Cheng Yang was disposed on April 28, 2020, the originally stated unrealized profit of NTD 137,531,000 was transferred in realized profit.

(IV) Net cash inflow from disposal of subsidiaries

| | Cheng Yang |
|---|---|
| Consideration received in cash and cash equivalents | $ 283,496 |
| Less: Balance of cash and cash equivalents disposed | ( 35,024 ) |
| | $ 248,472 |

## XXXII. Equity transaction with respect to non-controlling equity

The consolidated company acquired more equities in Tainergy Tech. Co., Ltd. in 2020 and the shareholding rose from 28.77% to 28.83%.

Tainergy Kunshan of the consolidated company did not raise additional capital for Kenmec Property Development according to the shareholding ratio in January 2020. Consequently, the shareholding dropped from 31.75% to 30% and the interests attributable to the non-controlling equity of Tainergy dropped from 22.86% to 21.35%.

Tainergy Kunshan of the consolidated company did not raise additional capital for Kenmec Property Development according to the shareholding ratio in March 2020. Consequently, the shareholding rose from 30% to 31.75% and the interests attributable to the non-controlling equity of Tainergy rose from 21.35% to 22.6%.

The consolidated company acquired more equities in Tainergy Tech. Co., Ltd. in 2019 and the shareholding rose from 27.09% to 28.77%.

Tainergy Kunshan of the consolidated company did not raise additional capital for Kenmec Property Development according to the shareholding ratio in 2019. Consequently, the shareholding dropped from 37.5% to 31.75% and the interests attributable to the non-controlling equity of Tainergy dropped from 27.34% to 22.86%.

Since these trades do not change the control of the consolidated company over the aforementioned subsidiaries, the consolidated company deals with them as transaction of equity.

| | 2020 | 2019 |
|---|---|---|
| Cash consideration paid | ($ 1,433 ) | ($ 28,563 ) |
| Amount of book value of subsidiary's net assets to be transferred in non-controlling equity based on changes in relative equity | 1,150 | - |
| Amount of book value of subsidiary's net assets to be transferred out from non-controlling equity based on changes in relative equity | ( 23 ) | 16,358 |

| | | |
|---|---|---|
| (changes in ownership of subsidiaries) | | |
| Amount of book value of subsidiary's net assets to be transferred out from non-controlling equity based on changes in relative equity (actually acquired partial equity in subsidiaries) | - | 36,884 |
| Adjustment of other equity items attributable to the owner of the Company | | |
| – Exchange differences in the financial statement translation of the foreign operation | 371 | 7,099 |
| – Unrealized profit/loss from the financial assets measured at fair value through other comprehensive income | 1 | ( 142 ) |
| Difference in transaction of equity | $ 66 | $ 31,636 |

| | 2020 | 2019 |
|---|---|---|
| Adjustment items of difference in transaction of equity | | |
| Loss to be made up (changes in ownership of subsidiaries) | $ - | ($ 2,954 ) |
| Capital reserve (changes in ownership of subsidiaries) | 12 | 19,312 |
| Capital reserve (actually acquired partial equity in subsidiaries) | 54 | 15,278 |
| | $ 66 | $ 31,636 |

## XXXIII. Information on cash flow

### (I) Non-cash transactions

In addition to those disclosed in other notes, the consolidated company was engaged in the following non-cash investment and financing activities in 2020 and 2019:

1. The consolidated company reclassified the contract assets into the category of property, plant and equipment to the amount of NTD 3,811,000 and NTD 312,563,000, respectively, in 2020 and 2019.

2. The consolidated company reclassified the prepayment for equipment into the category of property, plant and equipment to the amount of NTD 204,470,000 and NTD 139,072,000, respectively, in 2020 and 2019.
3. The consolidated company reclassified the prepayment for equipment into the category of contract assets to the amount of NTD 9,269,000 in 2019.
4. The consolidated company reclassified the property, plant and equipment into the category of prepayment for purchase to the amount of NTD 247,000 in 2019.
5. The payment to be made by the consolidated company for purchase of the property, plant and equipment increased and decreased by NTD 271,725,000 and NTD 33,618,000, respectively, in 2020 and 2019.

(II) Changes in liabilities from financing activities

2020

| | 2020 | | Non-cash Change | | | | | | | January 1 |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | Cash flow | New contract | Disposal | Lease contract modification | Sale of subsidiary | Profit or loss from translation of foreign currencies | Interest expense | Cash payments | December 31 |
| Lease liabilities | $ 59,716 | ($ 14,277) | $ 92,129 | ($ 5,021) | ($ 82) | ($ 18,228) | ($ 3,356) | $ 2,464 | ($ 2,464) | $ 110,881 |

2019

| | 2019 | | Non-cash Change | | | | January 1 |
|---|---|---|---|---|---|---|---|
| | 2019 | Cash flow | New/renewed contract | Profit or loss from translation of foreign currencies | Interest expense | Cash payments | December 31 |
| Lease liabilities | $ 72,704 | ($ 15,118) | $ 699 | $ 1,431 | $ 8,612 | ($ 8,612) | $ 59,716 |

## XXXIV. Capital risk management

The consolidated company conducts capital management to ensure the companies of the Group can keep operating while maximizing shareholders' return by optimizing the liability and equity balances. The overall strategy of the consolidated company is currently not changed.

The capital structure of the consolidated company is comprised of their net liabilities (i.e. loans minus cash and cash equivalents) and shareholders' equity (i.e. capital stock, capital reserves, retained earnings, other equities, and non-controlling equity).

The consolidated company did not need to observe external capital requirements.

The key management of the consolidated company conducts monthly review of the Group's capital structure, including the cost of capital and relevant risks. Observing the suggestions of the key management, the consolidate companies balance the overall capital structure by paying dividends, issuing new stocks, repurchasing stocks, and issuing new corporate bonds, or repaying existing liabilities.

## XXXV. Financial instruments

### (I) Fair value information – financial instruments not measured at fair value

As of December 31, 2020 and 2019, the consolidated company did not have any financial assets and liabilities having major difference between book and fair values.

### (II) Fair value information – financial instruments measured at fair value on a repetitive basis

1. Fair value hierarchy

December 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets measured at fair value through profit or loss | | | | |
| Overseas listed (OTC) and emerging stocks | $ 9,957 | $ - | $ - | $ 9,957 |
| Domestic non-listed (non-OTC) stocks | - | - | 44,141 | 44,141 |
| Fund beneficiary certificate | 320,938 | - | - | 320,938 |
| Forward exchange contract | - | 119 | - | 119 |
| Total | $ 330,895 | $ 119 | $ 44,141 | $ 375,155 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Investment in equity instruments | | | | |
| - Domestic non-listed (non-OTC) stocks | $ - | $ - | $ 28,145 | $ 28,145 |

December 31, 2019

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets measured at fair value through profit or loss | | | | |
| Domestic listed (OTC) and emerging stocks | $ 4,310 | $ - | $ - | $ 4,310 |
| Overseas listed (OTC) and emerging stocks | 8,796 | - | - | 8,796 |
| Domestic non-listed (non-OTC) stocks | - | - | 42,622 | 42,622 |
| Fund beneficiary certificate | 100,486 | - | - | 100,486 |
| Structured deposit | - | 6,009 | - | 6,009 |
| Total | $ 113,592 | $ 6,009 | $ 42,622 | $ 162,223 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Investment in equity instruments | | | | |

| | | | | |
|---|---|---|---|---|
| - Domestic non-listed (non-OTC) stocks | $ - | $ - | $ 36,062 | $ 36,062 |

There was no transfer of fair value measurements between Level 1 and Level 2 in 2020 and 2019.

2. Adjustments to the financial instruments measured at Level 3 fair value

2020

| Financial assets | Measurement at fair value through profit or loss<br>Equity instrument | Financial assets measured at fair value through other comprehensive income<br>Equity instrument | Total |
|---|---|---|---|
| Balance – beginning of the year | $ 42,622 | $ 36,062 | $ 78,684 |
| Recognition in profit or loss (other profits and losses) | 1,519 | | 1,519 |
| Recognized under other comprehensive income (Unrealized profit/loss on valuation of financial assets measured at fair value through other comprehensive income) | - | ( 7,917 ) | ( 7,917 ) |
| Balance – ending of the year | $ 44,141 | $ 28,145 | $ 72,286 |

2019

| Financial assets | Measurement at fair value through profit or loss | | Financial assets measured at fair value through other comprehensive income | |
|---|---|---|---|---|
| | Derivatives | Equity instrument | Equity instrument | Total |
| Balance – beginning of the year | $ - | $ 43,343 | $ 26,445 | $ 69,788 |
| Purchase | 12,478 | - | - | 12,478 |
| Recognition in profit or loss (other profits and losses) | 115 | ( 718) | - | ( 603) |
| Recognized under other comprehensive income (Unrealized profit/loss on valuation of financial assets measured at fair value through other comprehensive income) | - | - | 9,617 | 9,617 |
| Disposal | ( 12,593) | ( 3) | - | ( 12,596) |
| Balance – ending of the year | $ - | $ 42,622 | $ 36,062 | $ 78,684 |

3. Evaluation technology and inputs of Level 2 fair value measurement

| Class of financial instruments | Evaluation technology and inputs |
|---|---|
| Derivatives – forward foreign exchange contract | Cash flow discounting method: With this method, the cash flow in the future is estimated based on the observable forward exchange rate at the end of the period and the exchange rate specified in the contract, and the discount is determined with reference to the discount rate reflecting the credit risk of the counterparty. |
| Derivatives – financial management product contract | Cash flow discounting method: With this method, the cash flow in the future is estimated based on the observable market rate of interest at the end of the period and |

the exchange rate specified in the contract, and the discount is determined with reference to the discount rate reflecting the credit risk of the counterparty.

4. Evaluation technology and inputs measured at Level 3 fair value

(1) Derivatives – The fair value of the exchange rate option is estimated using the Option pricing model for convertible bond valuation. The significant unobservable input used is the exchange rate volatility. The fair value of the derivatives becomes higher when the exchange rate volatility increases.

(2) The fair value of non-listed (non-OTC) equity instruments is estimated based on the analysis of the financial status and operating outcome of the investee, the latest transaction price, the quotation of the same equity instruments on active markets, the quotation of similar instruments on active markets, comparable company valuation multiples, and other assumptions that cannot be supported by the observable market price or interest rate. The significant unobservable inputs are as follows. The fair value of the investment increases when the long-term revenue growth rate and pre-tax operating margin increase.

(III) Type of financial instruments

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Financial assets | | |
| Measurement at fair value through profit or loss | | |
| Mandatory measurement at fair value through profit or loss | $ 375,036 | $ 162,223 |
| Held for trading | 119 | - |
| Financial assets measured at amortized cost (Note 1) | 3,096,220 | 3,242,878 |
| Financial assets measured at fair value through other comprehensive income | | |
| Investment in equity instruments | 28,145 | 36,062 |
| Financial liabilities | | |
| Measurement at amortized cost (Note 2) | 3,760,670 | 3,394,989 |

Note 1: The balance includes financial assets measured at amortized cost such as cash and cash equivalents, investment in liability instruments, notes and accounts receivable, other receivables, guarantee deposits paid and other financial assets.

Note 2: The balance includes financial liabilities measured at amortized cost such as short-term loans, notes and accounts payable, other payables, long-term liabilities mature within one year, guarantee deposits received, long-term loans, and other financial liabilities.

(IV) Financial risk management purpose and policy

The consolidated company's main financial instruments include investments in equity and liability instruments, accounts receivable, accounts payable, borrowings, and lease liabilities. The consolidated company's financial management department is responsible for provision of services for business units, planning and coordination of investments in domestic and international financial markets, analysis of internal risk exposure based on the risk level and scope, and reporting, supervision, and management of the financial risks related to the consolidated company's operations. The said risks include the market risk (such as exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk.

The consolidated company uses derivative financial instruments to avoid risk exposure and mitigate the impact of such risks. Derivative financial instruments are subject to the policies adopted at the meeting of the Board of Directors of the consolidated company. These policies include the exchange rate risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and the written current funds investment principle. Internal reviewers review the compliance of the policies and the exposure limits on an ongoing basis. The consolidated company does not conduct transactions of financial instruments (including derivative financial instruments) for speculation purposes.

The finance management department reports to the Risk Management Committee of the consolidated company every quarter. The Committee is an independent organization dedicated to monitoring risks and implementing policies to mitigate risk exposure.

1. Market risk

The major financial risks that the operating activities imposed on the consolidated company are the exchange rate fluctuation risk (s. (1) below), interest rate fluctuation risk (s. (2) below), and other price risks (s. (3) below). The consolidated company is engaged in various derivative financial instruments to manage the imposed foreign exchange rate and interest rate risk, including:

A. Forward exchange contracts or exchange rate options for avoidance of the exchange rate risk due to difference of currencies in collection, payment, and purchase of (raw) materials;
B. Maintenance of an adequate portfolio of fixed and variable interest rates to mitigate the fluctuation risk of cash flow and fair value.

The consolidated company does not change the risk exposure on the financial instrument market or the methods for management and measurement of such exposure.

(1) Exchange rate risk

The consolidated company is engaged in sales and purchases transactions in foreign currency. These transactions expose the consolidated company to the exchange rate fluctuation risk. More than 68% of the sales amount of the consolidated company is not valuated with the functional currency of the Group's individual entities engaging in the transaction. About 74% of the cost amount is not valuated with the functional currency of the Group's individual entities engaging in the transaction. The consolidated company uses forward foreign exchange contracts or exchange rate options to manage the exchange rate risk within the policies.

Refer to Note 39 for the book value of the monetary assets and liabilities of the consolidated company valued with non-functional currency on the balance sheet date (including the monetary items valued with non-functional currency and written off on the consolidated financial statements) and the book value of the derivatives exposed to exchange rate risk.

Sensitivity analysis

The consolidated company is affected primarily by the fluctuation in the exchange rate of USD and RMB.

The sensitivity analysis of the consolidated company in the exchange rate of NTD (functional currency) to any related foreign currencies increasing or decreasing by 3% is described in the following table. This 3% is the sensitivity ratio used by the Group when reporting the exchange rate risk to the key management. It also indicates the assessment of the management on the reasonable potential fluctuation of the exchange rate. The sensitivity analysis only included the outstanding foreign currency items. The translation thereof at the end of the year is adjusted by an increase or decrease of 3% in the exchange rate. The sensitivity analysis includes the loans that are not valued with the functional currency of the creditor or borrower. The positive number in the following table means the reduced amount of the post-tax net loss or equity when NTD depreciates by 3% against related currency; when NTD appreciates by 3% against related currency, the effect on the post-tax net profit/loss or equity is represented with a negative number of the same amount.

| | Effect of USD | | Effect of RMB | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Profit or loss | $ 2,985(i) | $16,603(i) | $ 16,590(i) | $ 20,787 (i) |

(i) The profit or loss was mainly generated from the consolidated company's accounts receivable, accounts payable and loan valued in USD and RMB which were outstanding on the balance sheet date and were not hedged against the cash-flow risk.

The sensitivity of the consolidated company to USD exchange rate decreased this year because the accounts receivable in USD decreased; the sensitivity to RMB exchange rate decreased because of the reduced accounts receivable in RMB. The management found that the sensitivity analysis could not represent the inherent risk of exchange rate, because the foreign currency risk exposure on the balance sheet date could not reflect the exposure in the year.

(2) Interest rate risk

The interest rate risk exposure occurs because the consolidated company's entities borrowed funds at the floating rates at the same time. The consolidated company maintains an adequate portfolio of fixed interest rate to manage the interest rate risk. The consolidated company assesses hedging activities on a regular basis to keep consistent in their opinions on interest rate and their given risk preference to ensure adoption of most cost-efficient hedging strategies.

The book value of the financial assets and liabilities of the consolidated company exposed to the interest rate risk on the balance sheet date are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| With fair value interest rate risk | | |
| －Financial assets | $ 593,586 | $ 566,588 |
| －Financial liabilities | 110,881 | 59,716 |
| With cash flow interest rate risk | | |
| －Financial assets | 1,634,489 | 1,582,210 |
| －Financial liabilities | 1,970,381 | 2,027,499 |

The consolidated company is exposed to cash flow interest rate risk because of holding bank loans at variable interest rate. This conforms to the policy of the consolidated company to reduce the interest rate fair value risk by maintaining the loans at floating interest rate. The cash flow interest rate risk of the consolidated company is primarily because of the fluctuated benchmark interest rate of the loans valued in NTD.

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure of the derivative and non-derivative instruments on the balance sheet date. As for the liabilities at floating interest rate, the analysis is made with the assumption that the outstanding liability amount on the balance sheet date is completely in circulation during the reporting period. The variable interest rate used by the consolidated company when reporting the interest rate to the key management is the interest rate plus or minus 1%. It also indicates the assessment of the management on the reasonable potential fluctuation of the interest rate.

If the interest rate increased/decreased by 1%, with all other variables held constant, the net loss after tax of the consolidated company in 2020 and 2019 was increased/decreased by NTD 2,687,000 and NTD 3,562,000, respectively, primarily because the fair value of the consolidated company’s loans at variable rate was exposed to interest rate risk.

(3) Other price risks

The consolidated company sustains exposure to equity securities price risk due to investment in publicly offered equity securities and beneficiary certificates. The consolidated company's management manages risk by holding different risk investment portfolios. The consolidated company designates responsible teams to monitor the price risk and assess when the hedging position shall be increased for the risk.

Sensitivity analysis

The following sensitivity analysis is based on the equity price risk exposure on the balance sheet date.

If the equity price increased/decreased by 3%, the profit or loss after tax in 2019 and 2018 was increased/decreased by NTD 1,623,000 and NTD 1,672,000, respectively, due to increases/decreases of the fair value of the financial assets measured at fair value through profit or loss. Other comprehensive incomes after tax in 2020 and 2019 were increased/decreased by NTD 844,000 and NTD 1,082,000, respectively, due to changes in the fair value of the financial assets measured at fair value through other comprehensive income.

The sensitivity of the consolidated company to the price risk decreased in the current period because decrease of the investment in equity securities.

2. Credit risk

The credit risk refers to the risk in the financial loss of the consolidated company because the counterparty delays in the fulfillment of the contractual obligations. Up to the balance sheet date, the consolidated company's potential highest credit risk exposure due to failure of the counterparty to fulfill its obligations and the financial loss brought about by the financial guarantee that the consolidated company provided was mainly derived from the book value of the financial assets recognized in the consolidated balance sheet.

According to the policy, the consolidated company only trades with the counterparties that are rated equivalent to the investment level or higher in brand awareness. Full guarantees are required if necessary to reduce the risk of financial losses due to default. In addition, the consolidated company rates customers with reference to open financial information as well as mutual trading records. The consolidated company monitors the credit risk exposure and the credit rating of the counterparties on an ongoing basis. The account of the customers is checked before the shipment to make sure there is no overdue payment and how the collection status is in the recent period, and the internal personnel of the consolidated company supervises the release in order to minimize the potential credit risk. In addition, the consolidated company reviews the recoverable amount of accounts receivable separately on the balance sheet date to make sure that the appropriate impairment loss of the accounts receivable that cannot be recovered is recognized. As such, the management of the consolidated company finds that the credit risk of the consolidated company is reduced significantly.

Receivables are to be collected from many customers. They belong to different industries and are located in different geographic areas. The consolidated company continuously assesses the financial status of the customers from which receivables shall be recovered.

3. Liquidity risk

The consolidated company manages and maintains sufficient cash and cash equivalents to support the Group's business operation and reduce the effect of the fluctuating cash flow. The management of the consolidated company monitors the use of banking facility and ensures compliance with the terms of the loan contract.

For the consolidated company, bank loans are one of the important sources of liquidity. For the banking facility that the consolidated company has not used, refer to relevant descriptions in (3) below.

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

The remaining contractual maturity analysis of the non-derivative financial liabilities is compiled based on the earliest repayment date required to the Company and the non-discounted cash flow of the financial liabilities (including the principal and estimated interest). Hence, the bank loan which the consolidated company may be requested to repay immediately is listed in the earliest period on the table without consideration of the possibility of the bank to exercise this right immediately; the maturity analysis of other non-derivative financial liabilities is compiled based on the agreed repayment date.

For the cash flow of the interest paid at floating rate, the non-discounted interest amount is derived from the yield curve on the balance sheet date.

December 31, 2020

| | Weighted average effective interest rate (%) | Less than 1 year | 1 to 3 years | 4 to 5 years | Over 5 years |
|---|---|---|---|---|---|
| Non-derivative financial liability | | | | | |
| Non-interest-bearing liabilities | | | | | |
| Notes payable | | $ 162,121 | $ - | $ - | $ - |
| Accounts payable | | 481,606 | - | - | - |
| Other payables | | 867,142 | - | - | - |
| Guarantee deposits received | | 279,420 | - | - | - |
| Floating interest rate instruments | | | | | |
| Short-term loans | 1.94 | 999,015 | - | - | - |
| Long-term loans | 2.67 | 232,932 | 231,980 | 226,218 | 377,070 |
| Lease liabilities | | 29,926 | 38,342 | 30,496 | 40,617 |
| | | $ 3,052,162 | $ 270,322 | $ 256,714 | $ 417,687 |

More information on the maturity analysis of lease liabilities:

| | Less than 1 year | 1 to 5 years | 5 to 10 years | 10 to 15 years | 15 to 20 years | Over 20 years |
|---|---|---|---|---|---|---|
| Lease liabilities | $ 29,926 | $ 68,838 | $ 7,990 | $ 7,990 | $ 6,434 | $ 18,203 |

December 31, 2019

| | Weighted average effective interest rate (%) | Less than 1 year | 1 to 3 years | 4 to 5 years | Over 5 years |
|---|---|---|---|---|---|
| Non-derivative financial liability | | | | | |
| Non-interest-bearing liabilities | | | | | |
| Notes payable | | $ 74,941 | $ - | $ - | $ - |
| Accounts payable | | 425,962 | - | - | - |
| Other payables | | 761,960 | - | - | - |
| Guarantee deposits received | | 104,627 | - | - | - |
| Floating interest rate instruments | | | | | |
| Short-term loans | 2.24 | 774,829 | - | - | - |
| Long-term loans | 2.92 | 328,604 | 311,350 | 173,771 | 518,901 |
| Lease liabilities | | 13,567 | 10,738 | 5,901 | 60,842 |

| | | | |
|---|---|---|---|
| $ 2,484,490 | $ 322,088 | $ 179,672 | $ 579,743 |

More information on the maturity analysis of lease liabilities:

| | Less than 1 year | 1 to 5 years | 5 to 10 years | 10 to 15 years | 15 to 20 years | Over 20 years |
|---|---|---|---|---|---|---|
| Lease liabilities | $ 13,567 | $ 16,640 | $ 14,753 | $ 14,753 | $ 10,871 | $ 20,464 |

(2) Liquidity and interest rate risks of derivative financial liabilities

As for the liquidity analysis of derivative financial instruments, the undiscounted contractual net cash inflow and outflow are used as the basis of compilation for derivative instruments under net settlement, while the undiscounted gross cash inflow and outflow are used as the basis of compilation for derivative instruments under gross settlement.

December 31, 2020

| | Repaid immediately or within less than 1 months | 1–3 months | 3 months to 1 year | 1 to 5 years | Over 5 years |
|---|---|---|---|---|---|
| Settle net = Net settlement | | | | | |
| Forward exchange contract | $ 119 | $ - | $ - | $ - | $ - |

(3) Banking facility

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Unsecured bank loan limit (reviewed every year) | | |
| - Employed capital | $ 118,000 | $ 171,740 |
| - Unemployed capital | 655,924 | 633,153 |
| | $ 773,924 | $ 804,893 |
| Secured bank loan limit (extension possible under mutual agreement) | | |
| - Employed capital | $ 1,886,353 | $ 1,829,747 |
| - Unemployed capital | 752,033 | 1,127,143 |
| | $ 638,386 | $ 2,956,890 |
| Secured other loan limit | | |
| - Employed capital | $ 197,022 | $ 280,363 |
| - Unemployed capital | - | - |
| | $ 197,022 | $ 280,363 |

XXXVI. Transactions with related parties

Since all the transactions, account balances, profits and expenses/losses between the Company and the subsidiaries (namely, the Company's related parties) were removed after the merger, they were not disclosed in the Note. In addition to those disclosed in other notes, transactions between the consolidated company and other related parties are described as follows:

(I) Names of related parties and their relationship with the consolidated company

| Name of Related Party | Relationship with Consolidated Company |
|---|---|
| Zhong-Shi Consulting Co., Ltd. | De facto related party (becoming non-related party after reelection of directors and supervisors on August 5, 2020) |
| Qie-Yi Co., Ltd. | De facto related party |
| Long-Zi Industrial Co., Ltd. | De facto related party |
| Shun-Zhong Investment Co., Ltd. | De facto related party |
| CHING-FU HSIEH | The Company's Chairman |

(II) Accounts payable to related parties (excluding loans from related parties)

| Account Title | Type/Name of Related Party | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Guarantee deposits received | De facto related party | $ - | $ 60 |

The outstanding balance of the accounts payable to related parties was not guaranteed.

(III) Lease agreement

| Account Title | Type of Related Party | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Lease liabilities – current | De facto related party | $ 4,535 | $ 4,441 |
| Lease liabilities – non-current | De facto related party | - | 4,535 |
| | | $ 4,535 | $ 8,976 |

| Type of Related Party | 2020 | 2019 |
|---|---|---|
| Interest expense | | |
| De facto related party | $ 138 | $ 230 |

| 2020 | | | | |
|---|---|---|---|---|
| Type of Related Party | Premises | Lease Period | Determination of Rent | Monthly Rental |
| De facto related party | No. 21, Xindu Rd., Qianzhen Dist., Kaohsiung City | 107.12.31～110.12.30 | Negotiation | $ 196 |
| De facto related party | No. 12, Xinda Rd., Qianzhen Dist., Kaohsiung City | 107.12.31～110.12.30 | Negotiation | 186 |

| 2019 | | | | |
|---|---|---|---|---|
| Type of Related Party | Premises | Lease Period | Determination of Rent | Monthly Rental |
| De facto related party | No. 21, Xindu Rd., Qianzhen Dist., Kaohsiung City | 107.12.31～110.12.30 | Negotiation | $ 196 |
| De facto related party | No. 12, Xinda Rd., Qianzhen Dist., Kaohsiung City | 107.12.31～110.12.30 | Negotiation | 186 |

(IV) Endorsements/guarantees

Acquisition of endorsements/guarantees

| Type/Name of Related Party | December 31, 2020 | December 31, 2019 |
|---|---|---|
| The Company's Chairman CHING-FU HSIEH | | |
| Amount guaranteed | $ 2,269,301 | $ 2,331,258 |

(V) Other related party transactions

Rental income

| 2020 | | | | | |
|---|---|---|---|---|---|
| | Premises | Lease Period | Determination of Rent | Monthly Rental | Rental income |
| De facto related party | 3F, No. 97, Section 2, Nangang Road, Taipei City | 109.8.1～110.7.31 | Negotiation | $ 20 | $ 140 |

| 2019 | | | | | |
|---|---|---|---|---|---|
| | Premises | Lease Period | Determination of Rent | Monthly Rental | Rental income |
| De facto related party | 3F, No. 97, Section 2, Nangang Road, Taipei City | 108.8.1～109.7.31 | Negotiation | $ 20 | $ 240 |

Others

| | Type/Name of Related Party | 2020 | 2019 |
|---|---|---|---|
| Manufacturing expense – others | De facto related party | $ 495 | $ 124 |

(VI) Remuneration to key management

| | 2020 | 2019 |
|---|---|---|
| Short-term employee benefits | $ 61,753 | $ 170,271 |
| Retirement benefits | 914 | 992 |
| Share-based Payment | 3,464 | 6,315 |
| | $ 66,131 | $ 177,578 |

The remuneration to the directors and key management was decided by the Remuneration Committee subject to personal performance and market trend.

XXXVII. Pledged and mortgaged assets

The following assets were provided as collaterals for bank loans, purchase or import of equipment, litigation, and performance bond under construction contracts. The details are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Pledged C/D (stated as financial assets measured at amortized cost – current) | $ 449,901 | $ 475,996 |
| Notes receivable | - | 45,428 |
| Pledged C/D (stated as other financial assets – current) | 20,000 | 15,000 |
| Other financial assets - current | | |
| Current deposit – reserve account | 234,667 | 279,395 |
| Property, plant and equipment | | |
| Land and land improvement | 862,633 | 657,397 |
| House and building | 557,654 | 481,801 |
| Machine and equipment | 306,150 | 858,072 |
| Investment property | 450,396 | 478,269 |
| Guarantee deposits paid | 238,230 | 203,594 |
| Pledged C/D (stated as financial assets measured at amortized cost – non-current) | 28,539 | 90,592 |
| Right-of-use of land (Stated as right-of-use assets) | 147,176 | 147,093 |
| Other financial assets – Non-current | 172,649 | 217,097 |
| | $ 3,467,995 | $ 3,949,734 |

XXXVIII. Significant contingent liabilities and unrecognized contractual commitments

In addition to those described in other notes, the consolidated company's significant commitments and contingencies on the balance sheet date are as follows:

(I) Significant commitments

1. The amount under the letters of guarantee that the consolidated company authorized banks to issue for performance of construction contracts or warranty of works and the balance of the unused letters of credit are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Issuance of letters of guarantee | | |
| NTD | $ 829,305 | $ 814,473 |
| USD | 9,397 | - |
| Unused letter of credit | | |
| JPY | 28,268 | 19,180 |
| USD | - | 5,013 |

2. The total price of the contract entered into by Tainergy of the consolidated company for completion and purchase of unfinished construction and equipment and the amount unpaid are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Purchase of unfinished construction and equipment | | |
| Total contract price | $ 284,346 | $ 140,720 |
| Amount paid | ( 155,766 ) | ( 32,053 ) |
| Amount unpaid | $ 128,580 | $ 108,667 |

3. As of December 31, 2020 and 2019, the amount of the guarantee notes issued by Tainergy of the consolidated company for loans was NTD 510,000,000 for both periods. As for the amount of the endorsement/guarantee provided for loans, refer to Table 2 in Note 40.

(II) Contingency

1. Material purchase agreement between Tainergy of the consolidated company and SunEdison Products Singapore Pte, Ltd. (the former MEMC Singapore Pte, Ltd.; hereinafter referred to as SunEdison)

Material purchase agreement

Tainergy of the consolidated company entered into a material purchase agreement with SunEdision on July 9, 2008. According to the agreement, the consolidated company should purchase solar wafers no less than USD 3.4 billion from SunEdison from September 1, 2008 to August 31, 2018, and should provide a performance bond amount to about USD 10,500,000 to 66,500,000 (about

NTD 299,040,000 to 1,893,920,000) every year during the period of the agreement.

Due to the fluctuation of the solar cell material, Tainergy of the consolidated company did not purchase to the minimum quantity as agreed. A supplementary agreement was entered into with SunEdision on March 29, 2013 in which a common consensus was reached and the parties agreed to maintain their collaboration relation. According to the supplementary agreement, a compensation for failure to purchase to the minimum quantity was deducted from the performance bond that Tainergy of the consolidated company had paid. For this, the consolidated company recognized a loss on guarantee deposits paid amounting to NTD 760,763,000 in 2012 and set aside the unamortized balance of non-returnable deposits paid to the amount of UTD 59,551,000 as impairment loss under the title of other non-current liabilities – others. The total amount was consequently NTD 820,314,000.

<u>SunEdison's application for reorganization</u>

SunEdision announced its application for reorganization procedures on April 21, 2016 (American time). The consolidated company discussed with the counsels and comprehensively assessed the possibility of recovery based on SunEdison's debt restructuring plan and creditor meeting notice. After deduction of an advance sales receipts of NTD 1,063,000 (net) from related other receivables of NTD 20,854,000 and guarantee deposits paid amounting to NTD 288,009,000, an impairment loss of NTD 307,800,000 was set aside in Q2 of 2017.

As of December 31, 2020 and 2019, the balance of the guarantee deposits paid that Tainergy of the consolidated company recognized was NTD 0.

2. The silicon wafer purchase agreement between Tainergy of the consolidated company and Sino-American Silicon Products Inc. (hereinafter referred to as Sino-American Silicon)

<u>Commitment to material purchase agreement</u>

Tainergy of the consolidated company entered into a material purchase agreement with Sino-American Silicon in September 2007. The parties agreed on an annual purchase of solar wafers to the quantity, at the price, and amounting to no less than USD 44,388,000 and EUR 85,518,000 as specified in the agreement from January 1, 2008 to December 31, 2010 and from January 1, 2009 to December 31, 2019, respectively. The prepayments were not returnable and the supplier guaranteed to supply the material to the agreed quantity. Tainergy of the consolidated company prepaid for purchase of the material by installments to the amount of EUR 7,470,000 during the period specified in the agreement.

Renewal of the agreement

Tainergy of the consolidated company and Sino-American Silicon agreed to perform the agreement continuously in accordance with the terms and conditions specified therein up to December 31, 2020 (included) If the fulfillment of the agreement is difficult to the parties due to changes of the market supply and demand, the parties agreed to discuss the performance of the agreement. Currently, the parties were willing to continue the fulfillment of the agreement.

As of December 31, 2020 and 2019, Tainergy of the consolidated company made an assessment and found that the cost for fulfillment of the agreement would be higher than the anticipated economic benefit from the agreement, and thus set aside an accumulated loss of NTD 180,256,000 and NTD 192,916,000, respectively. As of December 31, 2020 and 2019, the balance of the prepayments that Tainergy of the consolidated company had made and against which goods were not delivered yet was recognized to the amount of NTD 0 and NTD 10,884,000, respectively.

3. Tainergy Technology (Kunshan) Co., Ltd., a subsidiary of the consolidated company, entered into an agreement with a local assets management company for construction of a new factory building based on the right-of-use of the land that the consolidated company had in Mainland China. The consolidated company did not have to pay any money or fee to the assets management company for the construction project. After the construction of the factory building was completed, the consolidated company agreed to establish a new subsidiary with cash and the fixed price of the surface building. The assets management company will purchase all the shares of the new subsidiary after it acquires the real estate ownership certificate. As of December 31, 2020, the consolidated company charged RMB 18,456,000 (stated as guarantee deposits received equivalent to NTD 80,781,000) as the fee for collection/payment, and charged RMB 42,000,000 as performance bond (stated as guarantee deposits received equivalent to NTD 183,834,000).

December 31, 2020

| | Foreign currency | Exchange rate | Book value |
|---|---|---|---|
| Foreign currency assets | | | |
| Monetary items | | | |
| USD | $ 31,170 | 28.48 (USD : NTD) | $ 887,733 |
| USD | 3,434 | 6.5249 (USD : RMB) | 97,954 |
| USD | 6,638 | 25,658 (USD : VND) | 189,040 |
| JPY | 931,731 | 0.00111 (VND : NTD) | 1,033 |
| RMB | 165,417 | 4.377 (RMB : NTD) | 724,031 |
| | | | $ 1,899,791 |
| Non-monetary items | | | |
| VND | 8,970,483 | 0.00111 (VND : NTD) | $ 9,957 |
| Foreign liabilities | | | |
| Monetary items | | | |
| USD | 9,447 | 28.48 (USD : NTD) | $ 269,038 |
| USD | 16,090 | 6.5249 (USD : RMB) | 458,267 |
| USD | 11,343 | 25,658 (USD : VND) | 323,051 |
| JPY | 164,910 | 0.2763 (JPY: NTD) | 45,565 |
| EUR | 46 | 35.02 (EUR : NTD) | 2,444 |
| RMB | 7,491 | 4.377 (RMB : NTD) | 32,786 |
| | | | $ 1,131,151 |

December 31, 2019

| | Foreign currency | Exchange rate | Book value |
|---|---|---|---|
| Foreign currency assets | | | |
| Monetary items | | | |
| USD | $ 39,130 | 29.98 (USD : NTD) | $ 1,173,114 |
| USD | 17,983 | 6.9762 (USD : RMB) | 539,121 |
| USD | 4,435 | 25,624 (USD : VND) | 132,969 |
| JPY | 15,847 | 0.276 (JPY: NTD) | 4,374 |
| EUR | 187 | 33.59 (EUR : RMB) | 6,286 |
| RMB | 212,434 | 4.305 (RMB : NTD) | 914,529 |
| | | | $ 2,770,393 |

| | Foreign currency | Exchange rate | Book value |
|---|---|---|---|
| Non-monetary items | | | |
| VND | 7,517,854 | 0.00117 (VND : NTD) | $ 8,796 |

| Foreign liabilities | | | |
|---|---|---|---|
| Monetary items | | | |
| USD | $ 9,517 | 29.98 (USD : NTD) | $ 285,321 |
| USD | 14,128 | 6.9762 (USD : RMB) | 423,511 |
| USD | 14,829 | 25,624 (USD : VND) | 444,573 |
| JPY | 16,720 | 0.276 (JPY: NTD) | 4,615 |
| EUR | 42 | 33.59 (EUR : NTD) | 1,423 |
| RMB | 11,244 | 4.305 (RMB : NTD) | 48,407 |
| | | | $ 1,207,850 |

The profit and loss from translation of foreign currency (including realized and unrealized) in 2020 and 2019 was NTD 7,927,000 (profit) and NTD 39,066,000 (loss), respectively. However, it was infeasible to disclose the exchange loss and gain of each significant foreign currency because of numerous functional currencies used by each entity of the Group and in foreign currency transactions.

XXXIX. Disclosures of notes

(I) Major transaction matters:

1. Loans to others. (Table 1)
2. Endorsements/guarantees for others. (Table 2)
3. Securities – ending (excluding the equity in invested subsidiaries, associates and joint ventures). (Table 3)
4. Aggregate purchases or sales of the same securities reaching NTD300 million or more than 20% of the paid-in capital. (Table 4)
5. Acquisition of real estate reaching NTD 300 million or more than 20% of the paid-in capital. (Table 5)
6. Disposal of property reaching NTD 300 million or more than 20% of the paid-in capital. (None)
7. Purchases or sales of goods from and to related parties reaching NTD 100 million or more than 20% of the paid-in capital. (Table 6)
8. Accounts receivable from related parties reaching NTD 100 million or more than 20% of the paid-in capital. (Table 7)
9. Trading in derivative instruments. (Note 7 and 36)
10. Others: The business relationship and major transactions between the parent company and its subsidiaries and among subsidiaries and amounts (Table 8)

(II) Information about investees. (Table 9)

(III) Information on investments in Mainland China:

1. Information about investees in Mainland China, such as the name, main business operations, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment profit/loss, investment book value at the end of the period, profit or loss received from investments, and limit on the amount of investment in Mainland China. (Table 10)
2. Any of the following significant transactions with investees in Mainland China, either directly or indirectly through a third area, and their prices, payment conditions, and unrealized profit/loss: (Table 11)
   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
   (3) The amount of property transactions and the amount of resulting profits or losses.
   (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
   (5) The highest balance, the end-of-period balance, the interest rate range, and total current interest with respect to financing of funds.
   (6) Other transactions that have a material effect on the profit or loss of the period or on the financial position, such as the rendering or receiving of services.

(IV) Information on major shareholders: The name, shareholding, and shareholding ratio of the shareholders with an equity ratio of 5% or more. (Table 12)

XL. <u>Segment information</u>

(I) Basic information on operating segments

1. Classification of operating segments

The information was provided for the chief operating decision maker to distribute resources and evaluate the performance of each department. It focused on the type of each batch of products or services delivered or provided. The reportable segments of the consolidated company are as follows:

(1) Automation segment

Responsible for automated flow line equipment and supporting equipment for T.F.T. process equipment, semiconductor process equipment, industrial conveying machinery, and automated storage equipment; parking tower and mechanical parking equipment, incinerator and other environmental facilities; electronic anti-static products; production, sale, installation, and lease of window-cleaning equipment and hanging platforms.

(2) Manufacture of solar power system, parts and components

Responsible for manufacture of power generation, transmission and distribution equipment as well as cable and wireless communication machines and devices.

(3) Electronic parts and components segment

Responsible for manufacture of electronics parts and components

(4) Other segments

Responsible for the business of solar water heater and real estate business.

2. Principles in measurement of operation segment's profits, losses, assets and liabilities

The accounting policy of the operating segments is the same as the important accounting policies stated in Note 4. The profit or loss of the consolidated company's operating segments is measured based on the operating profit or loss controllable to the segment manager. It is used as a basis for evaluation of the management performance. Debts are allocated in consideration of the capital cost and movement of funds of the consolidated company as a whole. Since debts are not controllable separately to the manager of each operating segment, they are not used as a basis for evaluation of the management performance.

(II) Segment revenue and operating result

The revenue and operation outcome of the consolidated company's continuing operations are analyzed by reportable segment as follows:

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Automation 1 | Automation 2 | Solar power system, parts and components | Electronic parts and components | Others (Vietnam, Fraternity, Fuoing, automation) | Total |
| Revenue from external customers | $ 919,345 | $ 512,317 | $ 2,193,597 | $ 673,014 | $ 17 | $ 4,298,290 |
| Inter-segment income | 31,819 | 137,972 | - | - | 5,672 | 175,463 |
| Segment income | 951,164 | 650,289 | 2,193,597 | 673,014 | 5,689 | 4,472,753 |
| Internal write-off | ( 31,819 ) | ( 137,972 ) | - | - | ( 5,672 ) | ( 175,463 ) |
| Consolidated revenue | $ 919,345 | $ 512,317 | $ 2,193,597 | $ 673,014 | $ 17 | $ 4,298,290 |
| segment profit or loss | $ 6,929 | ( $ 156,346 ) | $ 86,503 | $ 16,584 | ( $ 5,301 ) | ( $ 51,631 ) |
| Dividend income | | | | | | 1,811 |
| Net losses on disposal of property, plant and equipment | | | | | | ( 325 ) |
| Loss on disposal of subsidiaries | | | | | | ( 50,196 ) |

| | |
|---|---|
| Share of profit/loss of associates under equity method | 153 |
| Profit or loss on valuation of financial assets measured at fair value through profit or loss | (2,940) |
| Net profit (loss) before tax | ($ 103,128) |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Automation 1 | Automation 2 | Solar power system, parts and components | Electronic parts and components | Others (Vietnam, Fraternity, Fuoing, automation) | Total |
| Revenue from external customers | $ 934,951 | $ 372,755 | $ 2,328,813 | $ 727,217 | $ 37 | $ 4,363,773 |
| Inter-segment income | 55,925 | 130,842 | - | - | 8,659 | 195,426 |
| Segment income | 990,876 | 503,597 | 2,328,813 | 727,217 | 8,696 | 4,559,199 |
| Internal write-off | (55,925) | (130,842) | - | - | (8,659) | (195,426) |
| Consolidated revenue | $ 934,951 | $ 372,755 | $ 2,328,813 | $ 727,217 | $ 37 | $ 4,363,773 |
| segment profit or loss | $ 1,734,702 | ($ 309,187) | ($ 416,452) | ($ 29,258) | ($ 13,182) | $ 966,623 |
| Dividend income | | | | | | 2,615 |
| Net profit on disposal of property, plants, and equipment | | | | | | 14,816 |
| Profit or loss on valuation of financial assets measured at fair value through profit or loss | | | | | | (4,531) |
| Net profit before tax | | | | | | $ 979,523 |

The segment profit or loss is the earnings or loss of each segment excluding the administration costs of the head office to be shared and the compensation of the directors and supervisors, the portion of the affiliate accounted for under the equity method, loss and gain from disposal of any affiliate, loss and gain from disposal of property, plants, and equipment, loss and gain from disposal of investments, financial tool valuation gain (loss), and income tax expense. These estimated amounts were provided for the chief operating decision maker to distribute resources to departments and evaluate their performance.

(III) Total segment assets

| Segment assets | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Continuing operations | | |
| Automation segment | $ 3,445,376 | $ 3,380,299 |
| Manufacture of solar power system, parts and components | 3,096,762 | 3,333,756 |
| Electronic parts and components segment | 885,340 | 719,255 |
| Other segments | 1,724,098 | 1,902,506 |
| Total segment assets | 9,151,576 | 9,335,816 |
| Unallocated assets (Note) | 1,099,947 | 906,452 |
| Total consolidated assets | $ 10,251,523 | $ 10,242,268 |

Note: These include financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, investment property, investments under the equity method, and deferred income tax assets.

Purpose of monitoring segment performance and distributing resources to segments:

Except for unallocated assets, all the assets are allocated to reportable segments. The assets shared by reportable segments are allocated based on the revenue of each reportable segment.

(IV) Information by territory

The consolidated company has three main operation bases – Taiwan, China and Vietnam.

The consolidated company's revenue of continuing operations from external clients and the non-current assets were classified respectively by operation base and location. Relevant information is listed as follows:

| | Income from external clients | | Non-current assets | |
|---|---|---|---|---|
| | 2020 | 2019 | December 31, 2020 | December 31, 2019 |
| Taiwan | $ 1,175,989 | $ 2,191,991 | $ 2,535,062 | $ 2,697,024 |
| India | 44,944 | 944,393 | - | - |
| Mainland China | 870,398 | 973,917 | 946,456 | 1,235,567 |
| Hong Kong | 1,437,369 | 48,722 | - | - |
| Others | 769,590 | 204,750 | 1,005,453 | 700,065 |
| | $ 4,298,290 | $ 4,363,773 | $ 4,486,971 | $ 4,632,656 |

Non-current assets do not include the financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, financial assets measured at amortized cost, investments under the equity method, and deferred income tax assets.

(V) Information about major clients

The single customer from which the income earned reached more than 10% of the consolidated company's total income:

| Customer ID | 2020 | Percentage in revenue % |
|---|---|---|
| Company BM | $ 1,364,847 | 32 |

No income earned from any single customer reached more than 10% of the consolidated company's total income in 2019.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Loans to Others

2020

Table 1

Unit: NTD and foreign currency (thousand)

| No. (Note 1) | Lending company | Borrowing company | Current account | Related party | Maximum balance in current period | Balance – ending of the period | Drawdown | Range of interest rates % | Nature of loaning of funds | Transaction amount | Reasons for the need of short-term financing | Appropriated allowance for bad debt | Collateral | | Limit of loans to particular borrower (Notes 2 to 10) | Limit of total loaning of funds (Note 2 to 10) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Name | Value | | |
| 0 | KENMEC MECHANICAL ENGINEERING CO., LTD. | KENMEC AUTOMATION ENGINEERING (KUNSHAN) | Other receivables | Y | $ 427,278 | $ 227,604 | $ 227,604 | 3.5% | Needs for short-term financing | $ - | Working funds | $ - | - | $ - | $ 799,471 | $ 1,598,942 |
| | | KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. | Other receivables | Y | 783,620 | 691,920 | 648,150 | 3%～3.5% | 〃 | - | 〃 | - | - | - | 799,471 | 1,598,942 |
| | | Kentec Inc. | Other receivables | Y | 150,000 | 150,000 | 105,000 | 2% | 〃 | - | 〃 | - | - | - | 799,471 | 1,598,942 |
| | | Tainergy Tech. Co., Ltd. | Other receivables | Y | 580,000 | - | - | 2% | 〃 | - | 〃 | - | - | - | 799,471 | 1,598,942 |
| | | Taisic Materials Co. | Other receivables | Y | 150,000 | 150,000 | 60,000 | 2% | 〃 | - | 〃 | - | - | - | 799,471 | 1,598,942 |
| 1 | KENMEC TECHNOLOGY (SUZHOU) CO., LTD. | Suzhou Kenmec Property Development Ltd. | Other receivables | Y | 283,222<br>RMB 65,500 | 128,914<br>RMB 29,453 | 128,914<br>RMB 29,453 | 4.35% | 〃 | - | 〃 | - | - | - | 282,045<br>RMB 64,438 | 282,045<br>RMB 64,438 |
| 2 | KENMEC TECHNOLOGY (FUOING) CO., LTD. | Suzhou Kenmec Property Development Ltd. | Other receivables | Y | 44,537<br>RMB 10,300 | -<br>RMB - | -<br>RMB - | 4.35% | 〃 | - | 〃 | - | - | - | 47,560<br>RMB 10,866 | 47,560<br>RMB 10,866 |
| | | KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. | Other receivables | Y | 96,338<br>RMB 22,000 | 96,294<br>RMB 22,000 | 96,294<br>RMB 22,000 | 4.75% | 〃 | - | 〃 | - | - | - | 118,906<br>RMB 27,166 | 118,906<br>RMB 27,166 |
| 3 | Fraternity Trade Development (KunShan) Co., Ltd. | Suzhou Kenmec Property Development Ltd. | Other receivables | Y | 38,916<br>RMB 9,000 | -<br>RMB - | -<br>RMB - | 4.35% | 〃 | - | 〃 | - | - | - | 45,337<br>RMB 10,358 | 45,337<br>RMB 10,358 |
| | | KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. | Other receivables | Y | 106,410<br>RMB 24,300 | 106,361<br>RMB 24,300 | 106,361<br>RMB 24,300 | 4.75% | 〃 | - | 〃 | - | - | - | 113,342<br>RMB 25,895 | 113,342<br>RMB 25,895 |
| 4 | KENMEC AUTOMATION ENGINEERING (KUNSHAN) | Suzhou Kenmec Property Development Ltd. | Other receivables | Y | 12,972<br>RMB 3,000 | -<br>RMB - | -<br>RMB - | 4.35% | 〃 | - | 〃 | - | - | - | 84,275<br>RMB 19,254 | 84,275<br>RMB 19,254 |
| | | KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. | Other receivables | Y | 140,128<br>RMB 32,000 | 140,064<br>RMB 32,000 | 140,064<br>RMB 32,000 | 4.75% | 〃 | - | 〃 | - | - | - | 210,687<br>RMB 48,135 | 210,687<br>RMB 48,135 |
| 5 | KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. | Suzhou Kenmec Property Development Ltd. | Other receivables | Y | 149,178<br>RMB 34,500 | -<br>RMB - | -<br>RMB - | 4.35% | 〃 | - | 〃 | - | - | - | ( 37,406)<br>(RMB 8,546) | ( 37,406)<br>(RMB 8,546) |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 | Tainergy Tech. Co., Ltd. | Cheng Yang Energy Co., Ltd. | Other receivables | Y | 320,000 | - | - | 3%～5% | 〃 | - | 〃 | - | - | - | 355,162 | 710,323 |
| | | Vietnergy Company Limited | Other receivables | Y | 206,570 | 199,360 | 56,960 | 3.5%～5% | 〃 | - | 〃 | - | - | - | 355,162 | 710,323 |
| | | Tainergy Technology (Kunshan) Co., Ltd. | Other receivables | Y | 224,848 | 65,655 | 43,770 | 3.5%～5% | 〃 | - | 〃 | - | - | - | 355,162 | 710,323 |
| | | Taisic Materials Co. | Other receivables | Y | 55,000 | - | - | 3%～5% | 〃 | - | 〃 | - | - | - | 355,162 | 710,323 |
| 7 | Tainergy Technology (Kunshan) Co., Ltd. | Suzhou Kenmec Property Development Ltd. | Other receivables | Y | 377,311 | 249,489 | 249,489 | 4.85% | 〃 | - | 〃 | - | - | - | 298,402<br>RMB 68,175 | 298,402<br>RMB 68,175 |
| 8 | Kentec Inc. | KENMEC TECHNOLOGY (SUZHOU) CO., LTD. | Other receivables | Y | 45,375 | - | - | 3.5%～5% | 〃 | - | 〃 | - | - | - | 112,129 | 224,258 |

Note 1: Number column description:

(1) 0 is reserved for issuer.

(2) Each invested company is numbered in sequential order starting from 1.

Note 2: KENMEC MECHANICAL ENGINEERING CO., LTD.'s limit of loans to others is calculated as follows:

Limit of loans to particular borrower: 20% of the Company's net value: $3,997,356×20%=799,471.

The limit of total loaning of funds: 40% of the Company's net value: $3,997,356×40%=1,598,942.

Note 3: KENMEC AUTOMATION ENGINEERING (KUNSHAN)'s limit of loans to others is calculated as follows:

Limit of loans to particular borrower: 40% of the Company's net value: RMB 48,135×40%=RMB 19,254.

The limit of total loaning of funds: 40% of the Company's net value: RMB 48,135×40%=RMB 19,254.

For the loaning of funds between the foreign companies that belong to the same parent company as the Company and whose 100% voting shares are held by the Company directly and indirectly, its amount is not subject to 40% of the net value.

Limit of loans to particular borrower: 100% of the Company's net value: RMB 48,135×100%=RMB 48,135.

The limit of total loaning of funds: 100% of the Company's net value: RMB 48,135×100%=RMB 48,135.

Note 4: KENMEC TECHNOLOGY (FUOING) CO., LTD.'s limit of loans to others is calculated as follows:

Limit of loans to particular borrower: 40% of the Company's net value: RMB 27,166×40%=RMB 10,866.

The limit of total loaning of funds: 40% of the Company's net value: RMB 27,166×40%=RMB 10,866.

For the loaning of funds between the foreign companies that belong to the same parent company as the Company and whose 100% voting shares are held by the Company directly and indirectly, its amount is not subject to 40% of the net value.

Limit of loans to particular borrower: Company's net value: RMB 27,166×100%=RMB 27,166.

The limit of total loaning of funds: Company's net value: RMB 27,166×100%=RMB 27,166.

Note 5: KENMEC TECHNOLOGY (SUZHOU) CO., LTD.'s limit of loans to others is calculated as follows:

Limit of loans to particular borrower: 40% of the Company's net value: RMB 161,095×40%=RMB 64,438.

The limit of total loaning of funds: 40% of the Company's net value: RMB 161,095×40%=RMB 64,438.

Note 6: Fraternity Trade Development (KunShan) Co., Ltd.'s limit of loans to others is calculated as follows:

Limit of loans to particular borrower: 40% of the Company's net value: RMB 25,895×40%=RMB 10,358.

The limit of total loaning of funds: 40% of the Company's net value: RMB 25,895×40%=RMB 10,358.

For the loaning of funds between the foreign companies that belong to the same parent company as the Company and whose 100% voting shares are held by the Company directly and indirectly, its amount is not subject to 40% of the net value.

Limit of loans to particular borrower: 100% of the Company's net value: RMB 25,895×100%=RMB 25,895.

The limit of total loaning of funds: 100% of the Company's net value: RMB 25,895×100%=RMB 25,895.

Note 7: KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.'s limit of loans to others is calculated as follows:

Limit of loans to particular borrower: 40% of the Company's net value: (RMB 21,364)×40%=(RMB 8,546).

The limit of total loaning of funds: 40% of the Company's net value: (RMB 21,364)×40%=(RMB 8,546).

Note 8: Tainergy Tech. Co., Ltd.'s limit of loans to others is calculated as follows:

Limit of loans to particular borrower: 20% of the Company's net value: 1,775,808×20%=355,162.

The limit of total loaning of funds: 40% of the Company's net value: 1,775,808×40%=710,323.

Note 9: Tainergy Technology (Kunshan) Co., Ltd.'s limit of loans to others is calculated as follows:

Limit of loans to particular borrower: 40% of the Company's net value: RMB 170,438×40%=RMB 68,175.

The limit of total loaning of funds: 40% of the Company's net value: RMB 170,438×40%=RMB 68,175.

Note 10: Kentec Inc.'s limit of loans to others is calculated as follows:

Limit of loans to particular borrower: 20% of the Company's net value: $560,646×20%=112,129.

The limit of total loaning of funds: 40% of the Company's net value: $560,646×40%=224,258.

Note 11: The net value is determined based on the financial statements audited and certified by CPAs in the most recent year.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Endorsements/Guarantees for Others

2020

Table 2

Unit: NTD thousand

| No. (Note 1) | Endorser/guarantor | Endorsee/guarantee | | Limits on individual endorsements/guarantees | Current maximum endorsement/guarantee balance | Current endorsement/guarantee balance – ending | Drawdown | Endorsement/guarantee amount secured with property | Ratio of the cumulative endorsement/guarantee amount to the net worth in the most recent financial statements (%) | Maximum endorsement/guarantee limit | Endorsements/guarantees made by the parent company for subsidiaries | Endorsements/guarantees made by the subsidiaries for parent company | Endorsements/guarantees made for the operations in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Company name | Relationship (Note 2) | | | | | | | | | | |
| 0 | KENMEC MECHANICAL ENGINEERING CO., LTD. | KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. | (3) | $ 3,197,885 (Note 3) | $ 121,000 | $ 106,800 | $ 106,800 | $ 21,360 (Current deposit – reserve account) | 2.67% | $ 3,197,885 (Note 4 ) | Y | N | Y |
| | | Kentec Inc. | (2) | 3,197,885 (Note 3) | 437,357 | 315,397 | 147,061 | - | 7.89% | 3,197,885 (Note 4) | Y | N | N |
| 1 | Tainergy Tech. Co., Ltd. | Cheng Yang Energy Co., Ltd. | (2) | 1,420,646 (Note 5) | 548,858 | - | - | - | - | 1,420,646 (Note 6 ) | Y | N | N |
| | | Vietnergy Company Limited | (2) | 1,420,646 (Note 5) | 135,388 | 99,680 | 95,468 | 2,848 | 5.61% | 1,420,646 (Note 6) | Y | N | N |

Note 1: The number column is completed in the following manners:

(1) 0 is reserved for issuer.

(2) Each invested company is numbered in sequential order starting from 1.

Note 2: The relationship between the endorser/guarantor and endorsee/guarantee is classified into six categories as follows. It is only necessary to mark the type:

(1) A business associated company.

(2) Subsidiaries in which more than 50% of common stock equity are held directly or over which substantial control is imposed.

(3) The investees in which the parent company and subsidies hold totally more than 50% of common stock equity.

(4) The parent company holding more than 50% of common stock equity in the company directly or indirectly through subsidiaries.

(5) The company needing mutual guarantee pursuant to an agreement in the same industry undertaking engineering projects.

(6) The company received endorsements/guarantees from the shareholders proportionally to their shareholding due to a joint venture relationship.

Note 3: Limits on individual endorsements/guarantees: No more than 80% of the Company's net value on December 31, 2020: $3,997,356×80%=3,197,885.

Note 4: Maximum endorsement/guarantee limit: No more than 80% of the Company's net value on December 31, 2020: $3,997,356×80%=3,197,885.

Note 5: Limits on individual endorsements/guarantees: No more than 80% of Tainergy Tech Co. Ltd.'s net value on December 31, 2020: 1,775,808×80%=1,420,646.

Note 6: Maximum endorsement/guarantee limit: No more than 80% of Tainergy Tech Co. Ltd.'s net value on December 31, 2020: 1,775,808×80%=1,420,646.

Note 7: The net value is determined based on the financial statements audited and certified or reviewed by CPAs in the most recent year.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Securities Held at the End of the Period

2020

Table 3

Unit: NTD and foreign currency (thousand)

| Holding Company | Type and name of securities | Relationship with the Issuer of Securities | Account title | At the end of the period | | | | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares | Book value | Shareholding ratio | Fair value | |
| KENMEC MECHANICAL ENGINEERING CO., LTD. | Fund beneficiary certificate | | | | | | | |
| | Union Money Market Fund | None | Financial assets mandatorily measured at fair value through profit or loss – current | 2,281,512.65 | $ 30,366 | | $ 30,366 | |
| | Franklin Templeton Sinoam Money Market Fund | 〃 | 〃 | 14,411,202.47 | 150,286 | | 150,286 | |
| | TCB Money Market Fund | 〃 | 〃 | 1,956,222.62 | 20,027 | | 20,027 | |
| | FSITC Taiwan Money Market | 〃 | 〃 | 7,792,051.30 | 120,259 | | 120,259 | |
| | | | | | $ 320,938 | | $ 320,938 | |
| | Domestic non-listed (non-OTC) stocks | | | | | | | |
| | Chunghwa Picture Tubes, Ltd. | 〃 | 〃 | 45,869 | $ - | | $ - | |
| | Overseas listed (OTC) stocks | | | | | | | |
| | HRC | 〃 | 〃 | 35,000 | $ 1,981 | | $ 1,981 | |
| | EBS | 〃 | 〃 | 39,800 | 437 | | 437 | |
| | HAC | 〃 | 〃 | 108,193 | 721 | | 721 | |
| | SC5 | 〃 | 〃 | 34,848 | 731 | | 731 | |
| | PAN | 〃 | 〃 | 64,687 | 2,492 | | 2,492 | |
| | SDT | 〃 | 〃 | 33,120 | 165 | | 165 | |
| | IPA | 〃 | 〃 | 154,500 | 3,430 | | 3,430 | |
| | | | | | $ 9,957 | | $ 9,957 | |
| | Domestic non-listed (non-OTC) stocks | | | | | | | |
| | TeraSolar Energy Materials Corp. | The Company is a corporate director of the company | Financial assets mandatorily measured at fair value through profit or loss – non-current | 1,776,637 | $ 26,241 | 10.01% | $ 26,241 | |
| | Tao Garden Hotel Co., Ltd. | 〃 | 〃 | 5,000,000 | 17,900 | 16.64% | 17,900 | |
| | | | | | $ 44,141 | | $ 44,141 | |
| | United Information System Service Co., Ltd. | The Company is a corporate director of the company | Investment in equity instruments measured at fair value through other comprehensive income – non-current | 780,000 | $ 27,245 | 14.29% | $ 27,245 | |
| | Common stock of Ecatch Automation Co., Ltd. | “ | “ | 90,000 | 900 | 15.00% | 900 | |
| | | | | | $ 28,145 | | $ 28,145 | |

(Next page)

(Continued from previous page)

| Holding Company | Type and name of securities | Relationship with the Issuer of Securities | Account title | At the end of the period | | | | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares | Book value | Shareholding ratio | Fair value | |
| Kentec Inc. | Domestic non-listed (non-OTC) stocks<br>3EGREEN TECHNOLOGY, INC. | None | Investment in equity instruments measured at fair value through other comprehensive income – non-current | 155,000 | $ - | 7.37% | $ - | |
| | Overseas non-listed (non-OTC) stocks<br>MEDICUSTEK INTERNATIONAL INC. | " | " | 1,333,333 | $ - | 2.42% | $ - | |

Note: For more information on the investment in subsidiaries, affiliates and joint ventures, please refer to Table 9 and Table 10.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Aggregate Purchases or Sales of the Same Securities Reaching NTD300 Million or More Than 20% of the Paid-in Capital

2020

Table 4

Unit: NTD thousand unless otherwise specified

| Trading company | Type and name of securities | Account title | Counterparty | Relationship | Beginning | | Purchase | | Sale | | | | At the end of the period | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of shares (thousand shares) | Amount | Number of shares (thousand shares) | Amount | Number of shares (thousand shares) | Selling price | Book cost | Losses and gains on disposal | Number of shares (thousand shares) | Amount |
| KENMEC MECHANICAL ENGINEERING CO., LTD. | Union Money Market Fund | Financial assets measured at fair value through profit or loss – current | — | — | 6,072 | $ 80,479 | 19,587 | $ 260,000 | 23,377 | $ 310,517 | $ 309,869 | $ 648 | 2,282 | $ 30,366 |
| | TCB Money Market Fund | Financial assets measured at fair value through profit or loss – current | — | — | - | - | 44,640 | 456,000 | 42,683 | 436,250 | 435,984 | 266 | 1,956 | 20,027 |

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Acquisition of Real Estate Reaching NTD300 Million or More Than 20% of the Paid-in Capital

2020

Table 5

Unit: NTD thousand unless otherwise specified

| The company acquiring property | Name of property | Date of occurrence | Transaction amount | Payment of proceeds | Counterparty | Relationship | Information on the last preceding transfer if the counterparty is a related party | | | | Reference for pricing | Purpose and use | Other special stipulations |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | All | Relationship with the issuer | Transfer date | Amount | | | |
| KENMEC MECHANICAL ENGINEERING CO., LTD. | Land and building located on the 6th floor, No.95 and No.97, Sec. 2, Nangang Road, Nangang District, Taipei | 10/15/2019 contract executing date 1/8/2020 transfer date | $ 325,000 | Full payment on January 15, 2020 according to the contract | YOUSING ENTERPRISE CO., LTD. | — | N/A | N/A | N/A | N/A | Chung Ya Real Appraiser, appraised value: NTD 328,896,000 | Expansion of the business scope, office use | None |

Note 1: The result of the appraisal shall be entered in the “Reference for pricing” column if acquired assets must be appraised according to regulations.

Note 2: The paid-in capital means that of the parent company. For shares of any issuer without a par value or where the par value per share is not NTD 10, the transaction amount of 20% of the paid-up capital shall be calculated as 10% of the equity attributable to the owner of the parent company shown in the balance sheet.

Note 3: Date of occurrence refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors’ resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Purchases or Sales of Goods from and to Related Parties Reaching NTD 100 Million or More Than 20% of Paid-in Capital.

2020

Table 6

Unit: NTD thousand unless otherwise specified.

| Purchaser/seller | Counterparty | Relationship | Transaction | | | | Trading conditions different from those of regular transactions and reasons thereof (Note 1) | | Notes/accounts receivable (payable) | | Remarks (Note 2) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase (sale) | Amount | Percentage in total purchases (sales) | Loan period | Unit price | Loan period | Balance | Percentage in total notes/accounts receivable (payable) | |
| Tainergy Tech. Co., Ltd. | Vietnergy Company Limited | Subsidiary | Processing fee (Note 3) | $ 824,427 | 62.35% | T/T 30 days upon invoice date | — | — | ($ 75,901) | 28.19% | Some processing cost amounting to NTD 14,030,000 is recognized in other payables, occupying 8.92% of other total payables. |
| | Tainergy Technology (Kunshan) Co., Ltd. | Subsidiary | Purchase | 189,616 | 14.34% | T/T 15 days upon invoice date | — | — | ( 9,558) | 3.55% | |

Note 1: If the conditions of trading with related parties are different from those of regular transactions, the difference and the reasons thereof shall be indicated in the “price” and “loan period” columns.

Note 2: In case of receipts in advance or prepayments, the reasons, agreed terms and conditions, amount, and the different from regular transactions shall be indicated in the “Remark” column.

Note 3: The total amount is listed; recognized as write-off of the material processing cost.

Note 4: Related transactions and period-end balances were removed from the consolidated financial statements.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Accounts Receivable from Related Parties Reaching NTD 100 Million or More Than 20% of Paid-in Capital

2020

Table 7

Unit: NTD and foreign currency (thousand)

| Company Booking Accounts Receivable | Counterparty | Relationship | Balance of Accounts Receivable from Related Parties | Turnover Rate | Overdue accounts receivable from related parties | | Subsequent Recovered Amount of Accounts Receivable from Related Parties | Appropriated allowance for loss |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Treatment | | |
| KENMEC MECHANICAL ENGINEERING CO., LTD. | KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. | Subsidiary | Other receivables<br>$ 656,378<br>RMB 70,774<br>USD 12,170 | (Note 1) | $ - | — | $ - | $ - |
| | KENMEC AUTOMATION ENGINEERING (KUNSHAN) | Subsidiary | Other receivables<br>231,465<br>RMB 52,882 | (Note 1) | - | — | - | - |
| | Kentec Inc. | Subsidiary | Other receivables<br>105,362 | (Note 1) | - | — | - | - |
| KENMEC TECHNOLOGY (SUZHOU) CO., LTD. | Suzhou Kenmec Property Development Ltd. | Fellow subsidiary | Other receivables<br>133,341<br>RMB 30,464 | (Note 1) | - | — | - | - |
| KENMEC AUTOMATION ENGINEERING (KUNSHAN) | KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. | Fellow subsidiary | Other receivables<br>145,024<br>RMB 33,133 | (Note 1) | - | — | - | - |
| Fraternity Trade Development (KunShan) Co., Ltd. | KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. | Fellow subsidiary | Other receivables<br>113,153<br>RMB 25,852 | (Note 1) | - | — | - | - |
| KENMEC TECHNOLOGY (FUOING) CO., LTD. | KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. | Fellow subsidiary | Other receivables<br>101,621<br>RMB 23,217 | (Note 1) | - | — | - | - |
| Tainergy Tech. Co., Ltd. | Taisic Materials Co. | Subsidiary | Other receivables<br>223,568 | (Note 3) | - | — | - | - |
| | Vietnergy Company Limited | Subsidiary | Other receivables<br>120,583<br>USD 4,234 | (Note 4) | - | — | - | - |
| Tainergy Technology (Kunshan) Co., Ltd. | Suzhou Kenmec Property Development Ltd. | Fellow subsidiary | Other receivables<br>252,402<br>RMB 57,665 | (Note 1) | - | — | - | - |

Note 1: This is the amount from loaning of funds, its interest and collection/payment services recognized in other receivables and not incorporated in the calculation of turnover ratio.

Note 2: This is the amount from collection/payment services and not incorporated in the calculation of turnover ratio.

Note 3: This is the amount from disposal of property, plant, and equipment (NTD 206,485,000) and collection/payment services (NTD 17,083,000) recognized in other receivables and not incorporated in the calculation of turnover ratio.

Note 4: This is the amount from financing (NTD 56,960,000), interest from loans to others (NTD 1,628,000), disposal of property, plant, and equipment (NTD 60,341,000) and collection/payment services (NTD 1,654,000) recognized in other receivables and not incorporated in the calculation of turnover ratio.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

The Business Relationship and Major Transactions between the Parent Company and Its Subsidiaries and among Subsidiaries and Amounts

2020

Table 8

Unit: NTD thousand

| No. (Note 1) | Name of Trader | Counterparty | Relationship with Traders (Note 2) | Transaction | | | Percentage of consolidated total operating revenue or total assets (Note 3) |
|---|---|---|---|---|---|---|---|
| | | | | Title | Amount | Trading conditions | |
| 0 | The Company | Kenmec Mecha-Tronics | 1 | Other receivables | $ 656,378 | Interest rate 3.0%–3.5% | 7% |
| | | Kentec | 1 | Other receivables | 105,362 | Interest rate 2.0% | 1% |
| | | Automation Kunshan | 1 | Other receivables | 231,465 | Interest rate 3.5% | 2% |
| | | Taisic Materials | 1 | Other receivables | 60,171 | Interest rate 2.0% | 1% |
| 1 | Kenmec Mecha-Tronics | Kenmec Mechanical | 3 | Contract liabilities | 96,604 | No major difference from regular customers | 1% |
| | | Kenmec Fuoing | 3 | Other payables | 101,621 | Interest rate 4.75% | 1% |
| | | Fraternity Trade Development | 3 | Other payables | 113,153 | Interest rate 4.75% | 1% |
| | | Automation Kunshan | 3 | Contract liabilities | 180,500 | No major difference from regular customers | 2% |
| | | Automation Kunshan | 3 | Construction cost | 78,422 | No major difference from regular customers | 1% |
| 2 | Automation Kunshan | Kenmec Mecha-Tronics | 3 | Contract liabilities | 139,060 | No major difference from regular customers | 1% |
| | | Kenmec Mecha-Tronics | 3 | Other receivables | 145,024 | Interest rate 4.75% | 1% |
| 3 | Kenmec Technology | Kenmec Property Development | 3 | Other payables | 133,341 | Interest rate 4.35% | 1% |
| 4 | Tainergy | Vietnergy Company Limited | 1 | Accounts payable | 75,901 | No major difference from regular customers | 1% |
| | | Vietnergy Company Limited | 1 | Cost of sales | 825,593 | No major difference from regular customers | 19% |
| | | Vietnergy Company Limited | 1 | Other receivables | 120,583 | Financing, equipment payment and collections/payments | 1% |
| | | Tainergy Kunshan | 1 | Other receivables | 57,119 | Financing, equipment payment and collections/payments | 1% |
| | | Tainergy Kunshan | 1 | Cost of sales | 189,616 | No major difference from regular customers | 4% |
| | | Taisic Materials | 1 | Other receivables | 223,568 | Financing, equipment payment and collections/payments | 2% |
| 5 | Tainergy Kunshan | Kenmec Property Development | 3 | Other receivables | 252,402 | Interest rate 4.85% | 2% |

Note 1: The business transactions between the parent company and its subsidiaries shall be indicated in the “No.” column. This column shall be completed as follows:

1. 0 is reserved for the parent company.
2. Each subsidiary is numbered in sequential order starting from 1.

Note 2: The relationship with the related parties is classified into seven categories as follows. It is only necessary to mark the type. (Repeated disclosure is not necessary for the same transaction between the parent company and its subsidiaries or between the subsidiaries. In case of the transaction in the form of parent company to a subsidiary, for example, if the parent company has disclosed the transaction, the subsidiary is not necessary to disclose the same repeatedly; In case of the transaction in the form of subsidiary to subsidiary, if a subsidiary has disclosure the transaction, the other subsidiary is not necessary to disclose the same.)

1. Parent company to subsidiary
2. Subsidiary to parent company
3. Subsidiary to subsidiary

Note 3: For calculating the percentage of the transaction amount in total consolidated operating revenue or assets, the share of the balance at ending of the period in the consolidated total assets is used as the basis of the calculation under the title of assets/liabilities; the share of the interim accumulated amount in the total consolidated operating revenue is used as the basis for the calculation under the title of profit/loss.

Note 4: Related transactions and period-end balances were removed from the consolidated financial statements.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Name and Territory of Investees and Other Relevant Information

2020

Table 9

Unit: NTD and foreign currency (thousand)

| Name of investor | Name of investee | Territory | Main business operation | Original investment amount | | Held at the End of the Period | | | Current profit (loss) of investee | Profit (loss) from investments recognized in the current period | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | End of current period | End of last year | Number of shares | Ratio (%) | Book value | | | |
| KENMEC MECHANICAL ENGINEERING CO., LTD. | Kenmec International Holding (BVI) Co., Ltd. | Wickhams Cay 1 P.O. BOX 362 Road Town Tortola British Virgin Islands | Investment holding business | $ 1,268,529<br>USD 41,039 | $ 1,181,629<br>USD 37,998 | 41,038,752 | 100 | $ 230,053 | ($ 138,581) | ($ 139,611) | Subsidiary |
| | Ample Assets Holdings Ltd | Portcullis Trusnet Chambers, P.O. Box 1225, Apia, Samoa | Investment holding business | 138,746<br>USD 4,650 | 138,746<br>USD 4,650 | 4,650,000 | 100 | 113,439 | 4,512 | 4,512 | 〃 |
| | Tainergy Tech. Co., Ltd. | No. 5, Ziqiang 1st Rd., Jhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City, Taiwan (R.O.C.) | Research, design, manufacture and sales of solar cells, modules and related systems | 1,841,367 | 1,839,934 | 57,666,119 | 28.83 | 440,316 | 2,945 | 3,492 | 〃 |
| | Kenmec Vietnam Company Limited | Plant B, Thach That – Quoc Oai Industrial Zone, Hanoi City, Vietnam | Production of solar water heater | 122,347<br>USD 3,800 | 122,347<br>USD 3,800 | - | 100 | 109,348 | 3,304 | 3,304 | 〃 |
| | Kentec Inc. | No. 5, Ziqiang 1st Rd., Jhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City, Taiwan (R.O.C.) | Manufacture of electronics parts and components | 1,724,554 | 1,724,554 | 47,252,155 | 89.16 | 499,857 | 14,985 | 12,946 | 〃 |
| | Taisic Materials Co. | No. 5, Ziqiang 1st Rd., Jhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City, Taiwan (R.O.C.) | Manufacture and sale of electronic parts and components | 3,000 | - | 300,000 | 10 | 840 | ( 23,053) | ( 2,160) | 〃 |
| Kenmec International Holding (BVI) Co., Ltd. | KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. | No. 8, Hsi Hsia Road, Wang Shan Industrial Park, Wu Chung District, Suzhou City | T.F.T. process equipment, semiconductor process equipment, industrial conveying machinery, and automated storage equipment. | 1,198,618<br>USD 38,800 | 1,198,618<br>USD 38,800 | - | 100 | ( 93,511)<br>(RMB 21,364) | ( 122,548)<br>(RMB 28,622) | ( 122,548)<br>(RMB 28,622) | 〃 |
| | KENMEC AUTOMATION ENGINEERING (KUNSHAN) | Room 2, No. 1288, Fuchunjiang Road, Penglang Town, Kunshan Development Zone | Automated flow line equipment and supporting equipment, display production equipment, semiconductor production equipment, etc. | 266,914<br>RMB 60,000 | 180,014<br>RMB 40,000 | - | 100 | 210,685<br>RMB 48,135 | ( 17,965)<br>(RMB 4,196) | ( 17,965)<br>(RMB 4,196) | 〃 |
| | KENMEC TECHNOLOGY (FUOING) CO., LTD. | No. 14, Haicheng Road, Yuanhong Development Zone, Houfeng Village, Chengtou Town, Fuqing City, Fujian Province | Development, production and sales of new electronic components (chip components), digital audio and video coding equipment, portable microcomputers, new flat-panel displays. | 99,765<br>USD 3,000 | 99,765<br>USD 3,000 | - | 100 | 118,903<br>RMB 27,166 | 1,702<br>RMB 398 | 1,702<br>RMB 398 | 〃 |
| Ample Assets Holdings Ltd | Fraternity Trade Development (KunShan) Co., Ltd. | No. 8, Zhaofeng Road, Huaqiao Town, Kunshan City, Jiangsu Province | Tourism and leisure industry, such as management of hot spring hotels, health and leisure clubs, and slow living and light bite tourism | 134,189<br>USD 4,500 | 134,189<br>USD 4,500 | - | 100 | 113,343<br>RMB 25,895 | 4,514<br>RMB 1,054 | 4,514<br>RMB 1,054 | 〃 |
| Kentec Inc. | Kenmec Communication Holding (BVI) Co., Ltd. | Wickhams Cay 1 P.O. BOX 3444 Road Town Tortola British Virgin Islands | Investment holding business | 1,371,086<br>USD 43,287 | 1,371,086<br>USD 43,287 | 43,286,868 | 100 | 703,858 | 9,395 | 9,395 | 〃 |
| Kenmec Communication Holding (BVI) Co., Ltd. | KENMEC TECHNOLOGY (SUZHOU) CO., LTD. | No. 2, East Taihu Road, Wangshan Industrial Park, Wuzhong Economic Development Zone, Suzhou City | New electronic components (chip components), digital sounds, etc. | 1,296,108<br>USD 42,000 | 1,296,108<br>USD 42,000 | - | 100 | 705,111<br>RMB 161,095 | 9,395<br>RMB 2,242 | 9,395<br>RMB 2,242 | 〃 |
| KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. | Suzhou Kenmec Property Development Ltd. | No. 8, Hsi Hsia Road, Wang Shan Industrial Park, Wu Chung District, Suzhou City | Real estate business | 771,841<br>RMB 172,000 | 587,352<br>RMB 129,000 | - | 68.25 | 646,056<br>RMB 147,602 | ( 29,665)<br>(RMB 7,014) | ( 34,768)<br>(RMB 8,112) | 〃 |
| KENMEC AUTOMATION ENGINEERING (KUNSHAN) | KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. | Plant 1, Group 16 and Group 17, Hengshan Wanping Wannan Village, East Taihu Eco-tourism Resort (Taihu New Town), Wujiang District, Suzhou City | New electronic components (chip components), digital sounds, etc. | 1,532<br>RMB 350 | -<br>RMB - | - | 35 | 1,685<br>RMB 385 | 436<br>RMB 100 | 149<br>RMB 35 | Associate |
| Tainergy Tech. Co., Ltd. | Tainergy Tech Holding (Samoa) Co., Ltd. | TrustNet Chambers Lotemau Centre, P.O. BoX 1225, Apia, Samoa. | Investment business | 2,211,921<br>RMB 456,201 | 2,211,921<br>RMB 456,201 | - | 100 | 745,970 | ( 57,317) | ( 57,317) | Subsidiary |
| | Cheng Yang Energy Co., Ltd. | No. 5, Ziqiang 1st Rd., Jhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City, Taiwan (R.O.C.) | Generation of solar power and sales of solar power systems | - | 60,000 | - | - | - | 9,415 | 8,906 | 〃 |
| | Vietnergy Company Limited | Plant B, Thach That – Quoc Oai Industrial Zone, Quoc Oai District, Ha Noi City, Vietnam | Production of high-tech solar cells and the components of the cells | 1,339,468<br>USD 42,000 | 1,339,468<br>USD 42,000 | - | 100 | 672,521 | ( 43,738) | ( 44,869) | 〃 |
| | Star Solar New Energy Co., Ltd. | No. 5, Ziqiang 1st Rd., Jhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City, Taiwan (R.O.C.) | Generation of solar power and sales of solar power systems | 5,000 | 5,000 | 500,000 | 100 | 4,299 | ( 300) | ( 300) | 〃 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Taisic Materials Co. | No. 5, Ziqiang 1st Rd., Jhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City, Taiwan (R.O.C.) | Manufacture and sale of electronic parts and components | 19,320 | - | 1,932,000 | 64.4 | 1,074 | ( 23,053 ) | ( 14,768 ) | 〃 |
| Tainergy Tech Holding (Samoa) Co., Ltd. | Tainergy Technology (Kunshan) Co., Ltd. | No. 1288, Fuchunjiang Road, Penglang, Kunshan Development Zone,Kunshan City, Jiangsu Province | R&D, design, production of high-tech green cells (solar cells) and their components | 2,206,989<br>USD 70,000 | 2,206,989<br>USD 70,000 | - | 100 | 746,009<br>RMB 170,438 | ( 57,253 )<br>( RMB 13,375 ) | ( 57,253 )<br>( RMB 13,375 ) | 〃 |
| Tainergy Technology (Kunshan) Co., Ltd. | Kunshan SENSIC Electronic Materials Co., Ltd. | No. 1288, Fuchunjiang Road, Penglang, Kunshan Development Zone,Kunshan City, Jiangsu Province | Sales and manufacture of electronic materials and parts | 19,267<br>RMB 4,500 | - | - | 100 | 18,102<br>RMB 4,136 | ( 1,570 )<br>( RMB 363 ) | ( 1,570 )<br>( RMB 363 ) | 〃 |
| | Kunshan Jichang Energy Technology Co., Ltd. | No. 1288, Fuchunjiang Road, Penglang, Kunshan Development Zone,Kunshan City, Jiangsu Province | Manufacture and sale of solar power equipment | - | - | - | 100 | - | - | - | 〃 |
| | Suzhou Kenmec Property Development Ltd. | No. 8, Hsi Hsia Road, Wang Shan Industrial Park, Wu Chung District, Suzhou City | Real estate business | 365,200<br>RMB 80,000 | 278,820<br>RMB 60,000 | - | 31.75 | 300,546<br>RMB 68,665 | ( 29,665)<br>( RMB 7,014 ) | ( 15,934 )<br>( RMB 3,718 ) | Fellow subsidiary |

Note 1: For more information on the investees in Mainland China, please refer to Table 10.

Note 2: Related transactions and period-end balances are removed from the consolidated financial statements.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Information on Investment in Mainland China

2020

Table 10

Unit: NTD and foreign currency (thousand)

1. Information about investees in Mainland China, such as the name, main business operations, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment profit/loss, book value of investment, investment gain or loss having been remitted back:

| Name of Chinese investees | Main business operation | Paid-in capital | Method of investment (Note 1) | Accumulated amount of investments from Taiwan at beginning | Amount of investments remitted or recovered in current period | | Accumulated amount of investments from Taiwan at ending | Current profit (loss) of investee | The Company's shareholding of direct or indirect investment (%) | Recognized investment income (Note 2) | Book value of investment at ending | Profit received from investments as of end of current period | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | O/R | Return | | | | | | | |
| KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. | T.F.T. process equipment, semiconductor process equipment, industrial conveying machinery, and automatic storage equipment. | $ 1,198,618<br>USD 38,800<br>(Note 3) | (2)-(1) | $ 1,076,543<br>USD 34,900 | $ - | $ - | $ 1,076,543<br>USD 34,900 | ( $ 122,548 )<br>( RMB 28,622 ) | 100 | ( $ 122,548 )<br>( RMB 28,622 )<br>(2)－B | ( $ 93,511 )<br>( RMB 21,364 ) | $ - | |
| KENMEC TECHNOLOGY (FUOING) CO., LTD. | Development, production and sales of new electronic components (chip components), digital audio and video coding equipment, portable microcomputers, new flat-panel displays. | 99,765<br>USD 3,000 | (2)-(1) | 99,765<br>USD 3,000 | - | - | 99,765<br>USD 3,000 | 1,702<br>RMB 398 | 100 | 1,702<br>RMB 398<br>(2)－B | 118,903<br>RMB 27,166 | - | |
| Fraternity Trade Development (KunShan) Co., Ltd. | Tourism and leisure industry, such as management of hot spring hotels, health and leisure clubs, and slow living and light bite tourism | 134,189<br>USD 4,500 | (2)-(2) | 134,189<br>USD 4,500 | - | - | 134,189<br>USD 4,500 | 4,514<br>RMB 1,054 | 100 | 4,514<br>RMB 1,054<br>(2)－B | 113,343<br>RMB 25,895 | - | |
| Suzhou Kenmec Property Development Ltd. | Real estate business | 1,157,582<br>RMB 252,000<br>(Note 4) | (2)-(3) | - | - | - | - | ( 29,665 )<br>( RMB 7,014 ) | 100 | ( 50,702 )<br>( RMB 11,830 )<br>(2)－B | 946,602<br>RMB 216,267 | - | |
| KENMEC AUTOMATION ENGINEERING (KUNSHAN) | Automated flow line equipment and supporting equipment, display production equipment, semiconductor production equipment, etc. | 266,914<br>RMB 60,000 | (2)-(1) | 180,014<br>RMB 40,000 | 86,900<br>RMB 20,000 | - | 266,914<br>RMB 60,000 | ( 17,965 )<br>( RMB 4,196 ) | 100 | ( 17,965 )<br>( RMB 4,196 )<br>(2)－B | 210,685<br>RMB 48,135 | - | |
| KENMEC TECHNOLOGY (SUZHOU) CO., LTD. | New electronic components (chip components), digital sounds, etc. | 1,296,108<br>USD 42,000 | (2)-(4) | 1,107,451<br>USD 35,900 | - | - | 1,107,451<br>USD 35,900 | 9,395<br>RMB 2,242 | 100 | 9,395<br>RMB 2,242 | 705,111<br>RMB 161,095 | - | |
| KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. | New electronic components (chip components), digital sounds, etc. | 1,532<br>RMB 350 | (2)-(7) | - | - | - | - | 436<br>RMB 100 | 35 | 149<br>RMB 35 | 1,685<br>RMB 385 | - | |
| Tainergy Technology (Kunshan) Co., Ltd. | R&D, design, production of high-tech green cells (solar cells) and their components | 2,206,989<br>USD 70,000 | (2)-(5) | 2,206,989<br>USD 70,000 | - | - | 2,206,989<br>USD 70,000 | ( 57,213 )<br>( RMB 13,375 ) | 100 | ( 57,253 )<br>( RMB 13,375 )<br>(2)－B | 746,009<br>RMB 170,438 | - | |
| Kunshan SENSIC Electronic Materials Co., Ltd. | Sales and manufacture of electronic materials and parts | 19,267<br>RMB 4,500<br>(Note 5) | (2)-(6) | - | - | - | - | ( 1,570 )<br>( RMB 363 ) | 100 | ( 1,570 )<br>( RMB 363 )<br>(2)－B | 18,102<br>RMB 4,136 | - | |
| Kunshan Jichang Energy Technology Co., Ltd. | Manufacture and sale of solar power equipment | - | (2)-(6) | - | - | - | - | - | 100 | - | - | - | |

Note 1: Investment is classified into following three categories:

(1) Engaged in direct investment in Mainland China.

(2)-(1) Invested in Mainland China through Kenmec International Holding (BVI) Co., Ltd.

(2)-(2) Invested in Mainland China through Ample Assets Holdings Ltd.

(2)-(3) Invested in Mainland China jointly through Kenmec Mecha-Tronics (Suzhou) Co., Ltd. and Tainergy Technology (Kunshan) Co., Ltd.

(2)-(4) Invested in Mainland China through Kenmec Communication Holding (BVI) Co., Ltd.

(2)-(5)Invested in Mainland China through Tainergy Tech Holding (Samoa) Co., Ltd.

(2)-(6) Invested in Mainland China through Tainergy Technology (Kunshan) Co., Ltd.

(2)-(7) Invested in Mainland China through Kenmec Automation Engineering (Kunshan).

(3) Others.

Note 2: In the "Profit (loss) from investments recognized in the current period" column:

(1) An indication is needed if the investment is under preparation and there is no profit or loss.

(2) There are following three profit/loss recognition bases. The appropriate one must be indicated.

A. The financial statements audited and approved by an international accounting firm that has collaboration relationship with an accounting firm in the Republic of China.

B. The financial statements audited and approved by a CPA of the parent company in Taiwan.

C. Others (the unaudited financial statements of the aforesaid investees for the same period).

Note 3: The earnings of the liquidated invested KENMEC Automation Engineering (Suzhou) Co., Ltd. Amounting to USD 3.90 million were used for capital increase.

Note 4: The operating funds of the invested KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. were used for reinvestment amounting to RMB 172 million and the operating funds of the invested Tainergy Technology (Kunshan) Co., Ltd. were used for investment amounting to RMB 80 million.

Note 5: The operating funds of the invested Tainergy Technology (Kunshan) Co., Ltd. were used for reinvestment amounting to RMB 4.5 million.

2. Limit on the amount of investments in Mainland China:

Unit: foreign currency thousand/NTD thousand

| Accumulated amount of investments from Taiwan to Mainland China at the end of current period (Note 6) | Investment amount approved by the Investment Commission, MOEA | Limit on the amount of investments in Mainland China specified by the Investment Commission, MOEA (Note 7) |
|---|---|---|
| $ 4,891,851<br>(USD 148,300, RMB 60,000) | $ 5,143,587<br>(USD 161,700, RMB 123,000)<br>(Exchange rate: USD 28.48; RMB 4.377) | $ 3,181,271 |

Note 6: Including Huang Pin Electronics (Suzhou) Co Ltd. after its liquidation in February 2012, the accumulated amount of investments from Taiwan that had not been remitted back was NTD 23,395,000 (USD 657,000).

Note 7: The Company recognizes the loss on the investment in Tainergy Tech. Co., Ltd. and Kentec Inc. under the equity method and exceeds the limit on the amount of investments in Mainland China specified by the Investment Commission, MOEA.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Any of the Following Significant Transactions with Investees in Mainland China, Either Directly or Indirectly, through a Third Area, and Their Prices, Payment Conditions, and Unrealized Profit/Loss

2020

Table 11

Unit: NTD and foreign currency (thousand)

| Name of Chinese investees | Trading type | Purchase (sale) | | Issue price | Trading conditions | | Notes/accounts receivable (payable) | | Unrealized profit/loss | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Amount | Percentage | | Payment terms | Compared to regular transactions | Amount | Percentage | | |
| Tainergy Technology (Kunshan) Co., Ltd. | Sale | $ 58,210 | 1.35% | No major difference from regular customers | No major difference from regular customers | No major difference | Accounts receivable $ 5,852 | 1.20% | $ - | |
| | Purchase | 189,616 | 0.10% | No major difference from regular customers | No major difference from regular customers | No major difference | Accounts payable 9,558 | 1.98% | - | |

Note 1: Refer to Table 1 for related information on the highest balance, the end-of-period balance, the interest rate range, and total current interest with respect to financing of funds to any investees in Mainland China, either directly or indirectly, through a third area.

Note 2: Refer to Table 2 for related information on the endorsement, guarantee or collateral provided to any investees in Mainland China, either directly or indirectly, through a business in a third area for financing in favor of such subsidiaries.

Note 3: The amount of property transactions with any investees in Mainland China, either directly or indirectly, through a business in a third area and the amount of the resulting profits or losses: None

Note 4: Related transactions and period-end balances were removed from the consolidated financial statements.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries

Information on Major Shareholders

2020

Table 12

| Names of major shareholders | Shares | |
|---|---|---|
| | Number of shares held | Shareholding ratio |
| CHING-FU HSIEH | 24,079,707 | 9.67% |
| YUEH-CHEN LIN | 18,181,345 | 7.30% |

Note 1: The information on major shareholders is acquired from the data of the Taiwan Depository & Clearing Corporation with respect to the shareholders holding aggregately 5% or more of the common and special stocks of the Company that have been registered and delivered in dematerialized form (including treasury stocks) on the last business day at the end of the current quarter. The capital stock stated in the consolidated financial statements of the Company may be different from the number of stocks that have been actually registered and delivered in dematerialized form due to different bases of compilation and calculation.

Note 2: In case any shareholder transferred his stocks to a trustee, the information on such shareholder was disclosed based on the account of the principal subject to the trust account opened by the trustee. As for the shareholder who declares insider shares of more than 10% shareholdings pursuant to the securities and exchange regulations, the number of shares held includes the shares of the shareholder and the shares that he/she transferred to a trustee and for which he/she has the right to determine the application of the trust property. For more information on the declaration of insider shares, refer to the MOPS.