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# **Yungtay Engineering Co., Ltd. 2020 Annual Report**

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**(Translation)**

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**<https://mops.twse.com.tw> and <https://www.yungtay.com.tw>**

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## 2020 Business Report

Dear Shareholders,

In 2020, the Company's consolidated revenue was NT\$15,319,000,000, an increase of 12% compared to the previous year. The profit attributable to owners of parent was about NT\$1,309,000,000 and the earnings per share was NT\$3.2, an increase of 39% compared to the previous year. We achieve high revenue in 2020 despite COVID-19 pandemic because of the contribution from all employees and management and support from shareholders.

In terms of research and development, the cost of research and development in 2020 was about NT\$464,000,000, roughly equivalent to the previous year. The Company has mainly accomplished the function development of IoT, intelligent elevator system of E-Pass, destination level calling group-control system and high-speed elevators. This year, the Company will continue to develop disk permanent-magnet motor series, to develop absolute position APS in the hoistway and to develop high-speed elevators, etc.

As for the trend in 2020, due to the impact of COVID-19, global economic growth slowed down. Housing needs were low because of the epidemic but they have been gradually released along with the recovery of economic and social order. In 2020, Yungtay China received orders for 24,433 units of machines with a growth of 33%. Looking into the year of 2021, to respond to real estate bubble in China, the Mainland's policy is to actively and conservatively facilitate steady, healthy development of real estate market. Yungtay China will implement numerous operating styles flexibly, adjust the marketing organizational structure, expand innovative product series, and increase brand visibility via new media. It expects to reach the 2021-year order goal of 31,000 units and continue to boost market share. In Taiwan, thanks to low interest rates and return of Taiwanese business operators in 2020, the real estate transaction volume reached 326,000, the highest in seven years. Cash flow and low interest rates continue in 2021, the economy flashed a yellow-red light for the first time in ten years, indicating that the economic momentum exceeded expectation. However, there are some unfavorable factors, such as government policies on house flipping. In construction sector, labor shortage and labor and material hike are happening. Economy this year is expected to be stable and slightly improved. The Company carries out proactive marketing strategies, adjusts the product structure and promotes cost rationalization. In view of the above, the annual sales quantity for this year is expected to be approximately 19,970 units with a growth of 33% compared to the year of 2020.

Hitachi Group has acquired over half of our equity. Hitachi will strive for continuous development. Yungtay will develop social innovative businesses via environmental, social and economical values to contribute to better QOL and higher customer value. Lastly, may I extend our most heartfelt thanks to each shareholder and may you continue to spur us on.

Wishing you all the best of health and success in your endeavors.

## (I) 2020 Business Results

### (1) Business Plan Implementation Results

The consolidated operating revenue for 2020 was NT\$15.319 billion, which was an increase of approximately NT\$1.601 billion compared to NT\$13.718 billion in 2019. The profit attributable to owners of parent in 2020 was NT\$1309 million, which increased by approximately NT\$369 million compared to NT\$940 million in 2019.

### (2) Implementation Status

Unit: NT\$ million

Items	2019 Performance	2020 Performance	Rate of Growth
Operating Revenues	13,718	15,319	11.67%
Operating Income	850	1,013	19.18%
Profits Attributable to Owners of Parent	940	1,309	39.26%

### (3) Financial Revenue/Expenditure and Profitability Analysis

#### 1. Financial Revenue and Expenditure

(1) 2020 Financial Revenue: NT\$56,021 thousand.

(2) 2020 Financial Expenditure: NT\$960 thousand.

#### 2. Profitability Analysis

Items	2019	2020
Return on Total Assets (%)	4.53%	5.91%
Return on Equity (%)	8.56%	11.47%
Net Margin (%)	7.14%	8.78%
Earnings Per Share (NTD)	2.30	3.20

### (4) R&D Status

1. The annual R&D expenditure for 2020 was NT\$463,786 thousand; which was 2% less than that of 2019 year and accounted for 3% of the revenue.
2. See "Technology and R&D Status" in Pages 66~72.



## (II) 2021 Business Plan Summary

### (1) Operating Strategy

1. Restart of global planning, and with Vietnam as the center for expansion of the Southeast Asian market.
2. Continue effort in Taiwan market to achieve new highs for revenue and profit.
3. Active approach in gaining orders in China market, achieve break-even in a short period of time, regain the position of Top 10 in the worldwide ranking.
4. Strengthen innovation and increase added-value.
5. Strengthen the customer-oriented market orientation to ensure maintenance market.
6. In the region of China, maintain the current strategic customers and strive for developing the top 100 large real estate companies to form strategic, powerful collaboration. Tailor services for strategic customers, provide them with helpful projects and win orders from them.
7. Launch a beneficial incentive system for distributors in the region of China. While developing collaboration methods, strengthen direct sales and supplement the scope not covered by the distributor channel.
8. Plan for renovation solutions with greater market competitiveness in the region of China. Extend our business from centers, including Shanghai, Beijing, Chongqing, Chengdu and Guangzhou. Our business is gradually extended all over China.
9. Establish the department specialized for marketing of additional installation for old buildings in the region of China. Mix Direct sale with distributor channel in the region of China. Sell the elevator alone or sell the elevator installed with supporting facilities such as a steel-structure hoistway, to adapt to customer needs.
10. In the region of China, break the traditional sales model of elevators, joint agents around the country, the establishment of a home ladder 5S experience shop, directly facing the end customer.
11. Fill the gap in the market in third-line and fourth-line cities in the region of China. Set up branches and offices to serve more segmented markets.
12. In the region of China, the marketing end continues to promote Yungtay. The advertising focuses on the target audience precisely. Optimize the public opinion environment and maximize the broadcasting effect.

### (2) Expected Sales and Rationales

Items	Expected Sales Volume	Basis
Elevators (Escalators)	36,080 units	The sales volume is estimated based on the existing unshipped contracts installed in 2021, the industry boom, the market competition status, the government's real estate control policies, the central bank's monetary policy, and the historical sales records.

### (3) Important Production and Sales Policies

1. Product compartmentalization and product structure improvement and simplification.
2. Supply chain management and cost control.
3. We develop, certify, and standardize components that comply with New CNS.
4. To satisfy the new market of additional elevator installation and home elevators and high-speed elevators, develop corresponding products and gain market share.
5. Improve R&D and design capabilities, shorten development time, and master the market opportunities.

6. Open up the old elevator dismantling market to improve its operating income.
7. The smart maintenance tools are adopted to improve the elevator operation quality and increase repair revenues.
8. In the region of China, launch the new small-machine-room and machine-room-less products. Adopt the new disc-type traction machine and absolute position system (APS) for greater market competitiveness.
9. Provide abundant product lines in the region of China. Implement in-depth segmentation for commercial and residential elevators to satisfy the needs of users on different levels.
10. Keep the price-performance ratio high and the cost low for the product in the region of China.
11. In the region of China, focus more on presale and after-sale services.

#### (4) Future Company Development Strategy

1. Enhance sales team, expand sales channels.
2. Expand the market of elevator renovation for other brands' elevators, provide flexible solutions.
3. Seek public construction items of metro/subway and airport projects, and large commercial item construction solutions.
4. Actively invest in the development of corresponding products for the new market of additional elevator installation and home elevators, thereby gaining market opportunities.
5. Implement innovation, quality, technology, and quality services to enhance customer satisfaction.
6. Master core technologies, create differentiated products, and ensure price and quality competitiveness.
7. Develop smart, innovative products. Use better IoT technologies and digital products to serve customers.
8. Strengthen the expansion of landmark projects, metro/subway projects, commercial elevators and government bidding projects.
9. Implement aggressive development in the market of renovation of old elevators and additional elevator installation for old buildings.
10. Create differentiated products oriented by outstanding services and customer satisfaction. Stand out from the crowd in segmented markets.
11. In the region of China, seek sales talents and expand the marketing structure. Fill the blank in the market in third-line and fourth-line cities. Expand the market coverage.
12. Proactively explore major domestic developers to seek strategic partnerships in the region of China.
13. In the region of China, keep up with B2C Sales. Establish home elevator 5S experience stores throughout the country and reach To C users.

#### (5) Impacts from the External Competition, Legal Environment, and Overall Business Environment

1. The impact of external competitive environment : During March and April 2020, the impact on the housing market in Taiwan was significant. The epidemic has been abated since May 2020, the epidemic control in Taiwan has been lifted gradually. Real estate investment and rigid demand for the self-residence-oriented have gradually been deferred and released. Trading momentum in the housing market is getting stronger to make up the shrunk volume of energy in March and April. Along

with the rate cut by the Central Bank of Taiwan and the continuous inflow of hot money, the overall growth of the housing market in the second half-year accelerated. The operators are still optimistic about the housing market. The number of new projects in the housing market reached a record high. A total of 326 thousand real estate transactions in the housing market have been made in 2020. In other words, 8.8% annual growth and record high in the past seven years. Under the heat in the market, numerous elevator business operators have shown aggressiveness in the market competition. To ensure the profit target, Yungtay proactively develops smart IoT elevators of the new generation and all-around epidemic prevention products. By continuously promoting the reasonability of costs and expenditures, Yungtay is devoted to enhancing brand competitiveness. In China, the epidemic is stable and the prevention and control of pandemic are oriented by prevention of imported cases and domestic rebound. It is very likely that the Chinese economy will still be promising in 2021 under this premise. Strengthening innovative technological capability, outstanding factor supply, and flexible, stable real estate construction are the solid foundations for continuous economic stability. Yungtay (China), at the moment, adheres to a high price-performance ratio and reasonable cost reduction, ensures stability in the quality of its products, and improves its competitive advantages on the market with more competitive prices. Meanwhile, through reasonable adjustment of business locations and increase of business locations nationwide, Yungtay achieves high penetration and coverage to adapt to changes in the market's competitive environment.

2. Regulatory environment impacts : In 2020, the Ministry of the Interior passed the Urban Renewal Act Amendment Draft. Based on the consensus of the majority and comprehensive supporting measures, demolition of dangerous buildings in the urban renewal projects by local government on behalf of the residents can be simplified. In the future, the local government can tear down buildings it considered in immediate danger based on Article 81 of the Building Act on behalf of residents without tedious negotiation. Two regulations are added to the scope of the urban renewal project. First, the volume reward is 1.2 times the original building if it is an urban building considered six floors and above before the volume control is implemented. Second, the building imposing danger on public safety, 1.3 times the volume reward is granted because of the urgency of improvement. It is hoped to accelerate urban renewal by simplifying demolition by the government and increasing the volume reward. It is expected to increase the need for elevator replacement. In China, GB/T 7588.1-2020 Safety Rules for the Construction and Installation of Electric Lifts Part 1: Passenger and Goods Lift, and GB/T 7588.2-2020 Safety Rules for the Construction and Installation of Electric Lifts Part 2: Design Rules, Calculations, Examinations and Tests of Lift Components, were implemented in 2020. In 2021, to adapt to GB/T 7588.1-2020 Safety Rules for the Construction and Installation of Electric Lifts Part 1: Passenger and Goods Lift, and GB/T 7588.2-2020 Safety Rules for the Construction and Installation of Electric Lifts Part 2: Design Rules, Calculations, Examinations and Tests of Lift Components, the existing TSG T7007-

2016 Regulation for Type Test of Lifts, and TSG T7001~6 Regulation for Lift supervisory Inspection and Periodical Inspection will be amended jointly. Yungtay (China) will be actively responding to the changes by improving product structure, making its products more competitive, and enhance the overall strength of Yungtay (China).

3. Impact to the overall business environment : According to the report (dated February 8, 2021) of the National Development Council, positive growth of the global economy can be expected in 2021. The market in Taiwan continues to benefit from the accelerated 5G deployment by telecom operators and continual expansion of offshore wind power, and continuous deepening of deployment in Taiwan by global companies, all of such factors are beneficial to the increase of the domestic demand. The Central Bank of Taiwan estimated that in 2021, the private consumption growth would turn from negative to positive, and the growth of private investment and output increases. The economic growth in 2021 will be greater than in 2020. The main economic institute also predicts that Taiwan's economic growth this year will be between 3.2%~4.3% with continuous moderate growth. According to the Taiwan Institute Economic Research, on February 25, 2021, the government launched a series of measures for cooling off the housing market since December 2020. The measures aim at speculators and construction companies and guide the housing market to return to the fundamental economic condition. The general public is not the target of the policies for cooling off the housing market. Some people would be hit by the policy in the short run. However, buyers demanding self-use residence are not much impacted, thanks to eased funds and low interest rates. The domestic housing market will still focus on pursuing stable development in the future. The fund flowing back to Taiwan due to the return of Taiwanese business operators supports the government's continuous optimization of the investment environment, accelerating Taiwanese business operators to move their production lines back to Taiwan, and leading fund to substantial investments. The fund drives the domestic demand. Commercial, factory and industrial real estates continue to grow as a result of the return of Taiwanese business operators; consequently, the market demand for elevators is expected to grow continuously. With regard to the market in China, it is expected that the China economy will grow by about 8% in 2021. The power supporting the economic growth of China in 2021 shows that the recovery growth of China's economy is primarily caused by the boosted output demand brought by the gradual recovery of the overall global economy, recovered investment in the domestic manufacturing industry, continuous consumption recovery, and investment resilience in the real estate sector. It is very likely that overall, the real estate sector will adhere to the principle of “no flipping properties,” and the regional policy will be varied for different cities. In general, the elevator sector's growth is still slow but will not decline and it stays stable on the whole.

## II. Company Profile

(1) Date established: July 9, 1966

(2) Company History:

- |      |  |
|------|--|
| 1966 | <ul style="list-style-type: none"><li>● On July 9 the Company was established at No. 169, Sec. 2 Nanjing East Road, Taipei City under the name of “Yungtay Engineering Co., Ltd.”, with a capital size of NT\$6 million.</li><li>● Main cope of operation: Distribution of HITACHI elevators.</li></ul>  |
| 1968 | <ul style="list-style-type: none"><li>● The factory in Xinzhuang was established in September and the company became the first to take care of design, manufacturing, installation, and care in the domestic elevator sector.</li><li>● The company accepted the investment of NT\$ 2 million from Hitachi, Ltd. in November and the capital size was changed to NT\$10 million.</li></ul>   |
| 1970 | <ul style="list-style-type: none"><li>● The Company was relocated to No. 165-3, Sec. 2 Nanjing East Road in September.</li></ul>   |
| 1972 | <ul style="list-style-type: none"><li>● Efforts were devoted to developing overseas markets for elevators; exportations began in March to Hong Kong and in June to Japan.</li><li>● To address the sudden increase in the production demand, the Taoyuan Plant was set up on Chunri Road in December and all the production of elevators was relocated to this new factory.</li></ul>  |
| 1973 | <ul style="list-style-type: none"><li>● The capital size was changed to NT\$ 20 million in June.</li></ul>   |
| 1976 | <ul style="list-style-type: none"><li>● Partnership with Hitachi, Ltd. began in April on joint development of elevators for national housing projects.</li></ul>   |
| 1977 | <ul style="list-style-type: none"><li>● The capital size was increased to NT\$ 25 million in June.</li></ul>   |
| 1978 | <ul style="list-style-type: none"><li>● Technical collaboration with Japan NIHON RADIATOR CO., LTD. began in January on the production and manufacturing of air-conditioners for automobiles.</li><li>● The capital size was increased to NT\$40 million in July.</li><li>● Exportation of elevators to Singapore began in December.</li></ul>   |
| 1979 | <ul style="list-style-type: none"><li>● The capital size was increased to NT\$50 million in May and various types of machinery and equipment were added for the processing of elevator guideways.</li></ul>  |
| 1980 | <ul style="list-style-type: none"><li>● Exportation of elevator guideways to Singapore began in April.</li><li>● The capital size was increased to NT\$70 million in May and exportation to elevator servers to the Singapore bureau on national housing began in May.</li><li>● The Company became the only elevator business recognized by the Ministry of Economic Affairs in December as one of the “92 machinery processing plants of scale.”</li></ul> |
| 1981 | <ul style="list-style-type: none"><li>● The capital size was increased to NT\$105 million in August.</li></ul>   |
| 1982 | <ul style="list-style-type: none"><li>● The capital size was increased to NT\$147 million in September.</li><li>● The Zhongli factory was established in Guanyin Township of Taoyuan in October to produce automobile air-conditioners and their parts.</li><li>● The capital size was increased to NT\$197 million in November and industrial robotic arms and powered cranes were added as part of the scope of operation.</li></ul>                       |

- 1983
  - The Company signed a contract with the Industrial Technology Research Institute under the Ministry of Economic Affairs in January to become one of the five manufacturers undertaking its technical transfer of robotic arms in the nation.
  - The capital size was increased to NT\$236.4 million in November and initial public offering was approved.
- 1984
  - The capital size was increased to NT\$ 283.68 million in September.
  - The Engineering Department was relocated to the new building on Dunhua Road in order to enhance quality of after-sales service.
- 1985
  - The first elevator research tower in Taiwan was completed in the Taoyuan Plant in March.
  - The capital size was increased to NT\$ 340.416 thousand in December.
- 1986
  - The main office was relocated to the new office building on Fuxing Road in May.
  - The capital size was increased to NT\$ 374,457,600 in October.
- 1987
  - The original plant in Zhongli was sold in July and a joint venture under the name of Taiwan Calsonic Co., Ltd. was established with Japan NIHON RADIATOR CO., LTD.
  - The capital size was increased to NT\$ 411,903,360 in October.
- 1988
  - The capital size was increased to NT\$ 500 million in December.
- 1989
  - The number of elevators ordered broke the threshold of 10,000 units in June.
  - The capital size was increased to NT\$ 600 million in September and the Company was approved to be publicly traded by the FSC under the Ministry of Finance.
- 1990
  - Land with an area of more than 5,000 pings (1 ping = 3.305785 m<sup>2</sup>) was purchased in August for expanding the existing Taoyuan Plant in August in order to enhance the throughput of elevators and to produce parking tower equipment.
  - The capital size was increased to NT\$ 1 billion in September.
- 1991
  - It was approved through the shareholders' meeting in April that the registered capital size of the Company would be NT\$2 billion.
  - The capital size was increased in September, with the paid-in capital stock being NT\$1,309 million.
- 1982
  - The capital size was increased in July, with the paid-in capital stock being NT\$1.72billion.
- 1993
  - The capital size was increased to NT\$2,163.7 million in June.
  - The investment in Mainland China through Hong Kong was approved in July by the Investment Review Committee under the Ministry of Economic Affairs.
  - Shanghai Yungtay Engineering Co., Ltd. was established and acquired its business operation license in September.
  - ISO9001 certification for quality assurance was approved in November.
- 1994
  - The capital size was approved to be increased to NT\$2,655.7 million in July.
- 1995
  - It was approved through the shareholders' meeting in May that the registered capital size of the Company would be NT\$4 billion.
  - The capital size was increased in July, with the paid-in capital stock being NT\$3,071.5 million.

- 1996 ● The capital size was increased in July, with the paid-in capital stock being NT\$3,386.8 million
- 1997 ● The capital size was increased in July, with the paid-in capital stock being NT\$3.73 billion
- 1998 ● The capital size was increased in July, with the paid-in capital stock being NT\$4,108.2 million.
- Yungtay-Hitachi Construction Machinery Co., Ltd. was established in September jointly with Hitachi Construction Machinery Co., Ltd.
- 1999 ● YK Engineering Co., Ltd. was established in February.
- ISO14001 certification for environmental management was approved in March.
- Evest Corporation was established in August.
- 2001 ● OHSAS18001 certification for environmental management was approved in December.
- 2003 ● The name of Shanghai Yungtay Engineering Co., Ltd. was changed in November to Shanghai Yungtay Elevator Equipment Co., Ltd.
- 2004 ● The name of YK Engineering Co., Ltd. was changed in June to GIO Automation Technology Co., Ltd.
- 2005 ● The re-invested Shanghai Yungtay Gie EM Co., Ltd. through the subsidiary Yung Shin Investment Ltd. was established in December.
- 2006 ● The capital size of Shanghai Yungtay Gie EM Co., Ltd. was increased in February, with the paid-in capital stock being US\$3,750 thousand.
- 2007 ● Shanghai Yungtay Elevator Equipment Co., Ltd. transferred its earnings to capital increase in October; the paid-in capital stock was US\$56 million.
- The capital size of Shanghai Yungtay Gie EM Co., Ltd. was increased in October, with the paid-in capital stock being US\$10million.
- 2008 ● Investment in Shang Ying Investment Co., Ltd. began in March and 20% of shares held in Yung Hung Ltd. by Hitachi, Ltd. were bought back.
- Yung Hung Ltd. bought back 6% of shares in Yung Hung Ltd. held by Hitachi Building Systems Co., Ltd. (HBS) in March and organized capital decrease.
- Shanghai Yungtay established its subsidiary Tianjin Yungtay Elevator Equipment Co., Ltd. in April.
- Shanghai Yungtay established its subsidiary Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd. in July.
- 2009 ● Shanghai Yungtay increased the capital size of Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd. in June, with the paid-in capital stock being RMB20 million.
- Shanghai Yungtay increased the capital size of Tianjin Yungtay Elevator Equipment Co., Ltd. in December, with the paid-in capital stock being RMB 150 million.
- 2010 ● Shanghai Yungtay invested in Vietnam Yungtay Elevator Co., Ltd. in April.
- Shanghai Yungtay increased the capital size of Shanghai Yungtay Gie EM Co., Ltd. in November, with the paid-in capital stock being US\$12.5 million
- The name of Shanghai Yungtay Gie EM Co., Ltd. was changed to Shanghai Gie

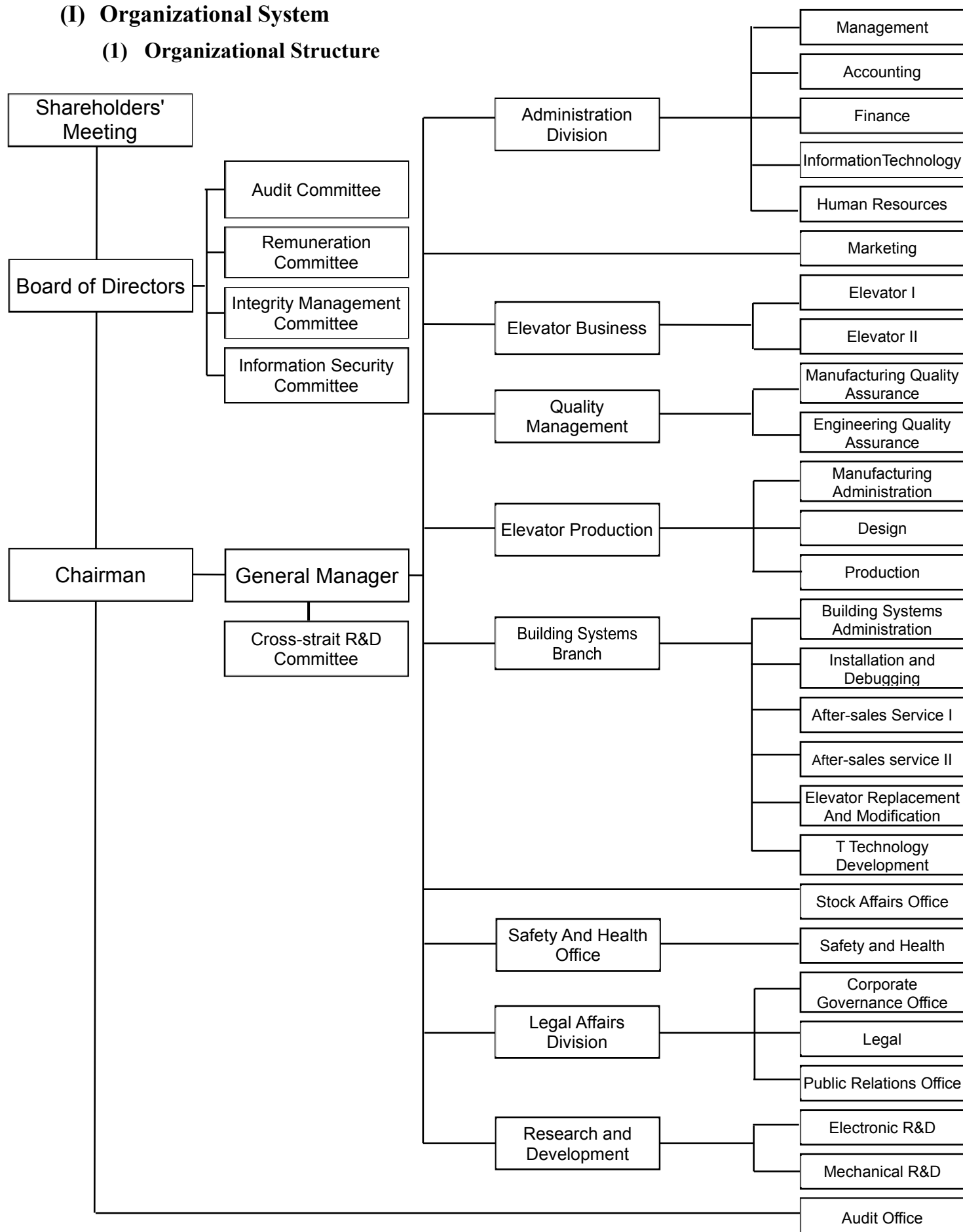
- EM Co., Ltd. in December.
- 2011
- Tianjin Yungtay established its subsidiary Tianjin Yungtay Elevator Installation & Maintenance Co., Ltd. in March.
  - Shanghai Yungtay increased the capital size of Shanghai Gie EM Co., Ltd. in May, with the paid-in capital stock being US\$15 million.
- 2012
- Expansion of the manufacturing facilities of Shanghai Gie EM Co., Ltd. was completed in June.
  - Shanghai Yungtay established its subsidiary Chengdu Yungtay Elevator Equipment Co., Ltd. in June.
- 2013
- The name of Yung Hung Ltd. was changed to Yungtay Engineering Ltd. in March.
  - Shanghai Yungtay increased the capital size of Tianjin Yungtay Elevator Equipment Co., Ltd. in March, with the paid-in capital stock being RMB 200 million.
  - The name of Shanghai Yungtay Elevator Equipment Co., Ltd. was changed in June to Yungtay Elevator Equipment (China) Co., Ltd.
  - Yungtay Elevator Equipment (China) established its subsidiary Sichuan Yungtay Elevator Equipment Co., Ltd. in June.
  - Yung Shin Investment Ltd sold all shares it held in Shanghai Gie EM Co., Ltd. in September to Yungtay Elevator Equipment (China) Co., Ltd. and was dismissed and liquidated accordingly.
- 2014
- Sichuan Yungtay acquired Chengdu Yungtay in December, with the paid-in capital stock being RMB 152 million.
- 2015
- Construction of the Sichuan Plant of Yungtay Elevator Equipment (China) began in March.
  - The showroom of Yungtay Elevator Equipment (China) was completed and commissioned in December.
- 2016
- The Sichuan Plant of Yungtay Elevator Equipment (China) was completed in August.
- 2017
- GIO Automation Technology Co., Ltd. completed the liquidation procedures in January.
  - Yungtay Elevator Equipment (China) was consolidated with its subsidiary Shanghai Gie EM Co., Ltd. in December.
- 2018
- Hitachi Group intends to publicly acquire the common shares of the Company in October.
- 2019
- Yungtay Elevator Equipment (China) canceled the merger with its subsidiary Shanghai Gie EM Co., Ltd. in August.
  - Tianjin Yungtay Elevator Installation and Maintenance Co., Ltd. completed its cancellation in November.
- 2020
- Launched the Smart Prevention Elevator in May.



# III. Corporate Governance Report

## (I) Organizational System

### (1) Organizational Structure



## (2) Major Departments and Their Scope of Operation

Title	Name	Main experience/education
Chairman	Makoto Nagashima	Senior General manager at the Elevator&Escalator Business Development Office of Taiwan Hitachi Asia Pacific Co., Ltd School of Political Science and Economics, Japan Waseda University
General Manager	Shang Yu Tsai	Special assistant of General Manager of Yungtay (China) Master of Management, Shanghai Jiao Tong University

Department	Main responsibilities
Audit Committee	Assists the Board of Directors in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company.
Remuneration Committee	Defines and regularly reviews policies, systems, standards, and structures related to the performance evaluation and compensation of directors and managers.
Integrity Management Committee	Is responsible for the review and supervision of the integrity management policy
Information Security Committee	Formulate and regularly review information security policies and specific management plans, publicize and supervise them.
Cross-strait Research and Development Committee	Is responsible for the Cross-strait R&D integration matters
Administration Division	Takes care of general affairs, finance, accounting, personnel and IT management, among others.
Marketing	Is responsible for imports and exports as well as developing exportation markets of the Company.
Elevator Business	Is responsible for the elevator business and market development.
Quality Management	Is responsible for manufacturing, installing, and modifying elevators, among other quality-assurance-related matters.
Elevator Production	Is responsible for designing and manufacturing elevators.
Building System Branch	Is responsible for installing, caring, repairing, and modifying elevators.
Stock Affairs Office	Handles related stock affairs.
Safety and Health Office	Formulation, planning, supervision, and promotion of health and safety management items and direction for relevant departments in the implementation thereof.
Legal Affairs Division	Maintenance of corporate governance items, assistance in company meeting procedures and operations, and execution of general legal affairs, legal compliance operations, and implementation of rule of law education.
Research and Development	Is responsible for researching and developing elevators and qualifying new products.
Audit Office	Is responsible for auditing operations of the Company and ensuring that the internal control system is effectively enforced.

## (II) Background Information of Directors, General Managers, Vice General Managers, Assistant Vice Presidents, and Heads of Various Departments and Branches

### (1) Director Information (1)

April 23, 2021

Title	Nationality or registered domicile	Name	Gender	Date of inauguration	Tenure	Initial date of inauguration	Shares held upon inauguration		Shares currently held		Shares currently held by spouse and minor child(ren)		Shares held in someone else's name		Main experience/education	Positions served at the Company and other companies at present	Managers or directors that are a spouse or within two degrees of kinship		
							Quantity	Ratio	Quantity	Ratio	Quantity	Ratio	Quantity	Ratio			Title	Name	Relationship
Chairman	Japan	Hitachi, Ltd.		2019.4	3 years	1968.11	31,817,168	7.74%	31,817,168	7.74%	-	-	187,704,932	45.69%	School of Political Science and Economics, Japan Waseda University	(Note 2)	None	None	None
	Japan	Makoto Nagashima (Corporate Representative; Hitachi, Ltd.)	M			2017.4	0	0%	0	0%	0	0%	0	0%	Senior General manager at the Elevator&Escalator Business Development Office of Taiwan Hitachi Asia Pacific Co., Ltd.		None	None	None
Director	ROC	Tso Ming Hsu (Note 3)	M	2019.4	3 years	2006.6	2,159,888	0.53%	2,159,888	0.53%	0	0%	880,000	0.21%	Department of Water Resources, Tamkang University		None	None	None
Director	ROC	Fong Chieh Tsai	M	2019.4	3 years	2006.6	114,232	0.03%	95,416	0.023%	0	0%	0	0%	Master of Accounting, National Chengchi University Chairman of Yungtay-Hiachi Construction Machinery		None	None	None
Director	ROC	Chao Ching Hsu	M	2019.4	3 years	2019.4	0	0%	0	0%	0	0%	0	0%	Doctor of Laws, National Chung Cheng University Master of Laws, US University of California at Berkeley Judge of Taiwan Chiayi District Court Partner of Baker & McKenzie Taipei Office Visiting Scholar of Law Department of US Duke University		None	None	None
Independent director	ROC	Fu Hsiung Huang	M	2019.4	3 years	2019.4	0	0%	0	0%	0	0%	0	0%	Department of Law, College of Law, National Taiwan University Attorney of Johnson and Partners Independent Director of China Life Insurance Company Limited		None	None	None

Title	Nationality or registered domicile	Name	Gender	Date of inauguration Date	Tenure	Initial date of inauguration	Shares held upon inauguration		Shares currently held		Shares currently held by spouse and minor child(ren)		Shares held in someone else's name		Main experience/education	Positions served at the Company and other companies at present	Managers or directors that are a spouse or within two degrees of kinship		
							Quantity	Ratio	Quantity	Ratio	Quantity	Ratio	Quantity	Ratio			Title	Name	Relationship
Independent director	ROC	Chih Hung Hsieh	M	2021.2	1.1 years	2021.2	0	0%	0	0%	0	0%	0	0%	Doctor of Laws, National Chengchi University Postdoctoral Course, Japan Waseda University Graduate School of Law Associate Dean and Vice Dean for Academic Affairs, College of Law, Fu Jen University Head of Department of Law, Fu Jen University		None	None	None
Independent director	ROC	Li Hsiu Chen	F	2019.4	3 years	2019.4	0	0%	0	0%	0	0%	0	0%	MBA (Accounting), National Chengchi University College of Commerce Chairperson of WEALTH & Co., CPAs Chairman of I.R.A. Financial Advisory Corporation Committee Member of Taipei City Government Clean Government Committee Director and Secretary General of Association of Certified Fraud Examiners Taiwan Chapter	(Note 2)	None	None	None

Note 1: Directors with prior service in the accounting firm in charge of the current audit or its associated enterprises : None.

Note 2 : Positions served at the Company and other companies of respective directors :

Name	Position at the Company	Current position(s) at other companies
Makoto Nagashima (Corporate Representative: Hitachi, Ltd.)	Chairman	Chairman : Yungchun Capital, Yungtay (China) Director : Hong Kong Yungtay, Yungtay-Hitachi Construction Machinery
Tso Ming Hsu	None	None
Fong Chieh Tsai	None	Chairman : Yungtay-Hitachi Construction Machinery
Chao Ching Hsu	None	Director : Lex Pro Attorneys at Law Independent Director : URE, SyneuRx
Fu Hsiung Huang	None	Attorney : Johnson and Partners Independent Director : China Life Insurance
Li Hsiu Chen	None	Chairperson : WEALTH & Co., CPAs Chairman : I.R.A. Financial Advisory Corporation
Chih Hung Hsieh	None	Associate Professor: Department of Law, Fu Jen University Independent Director : Sanyang Motor Co., Ltd., Grand Pacific Petrochemical

Note 3 : The former Chairman Tso Ming Hsu resigned on March 26, 2021 due to his career plan. The company's board of directors elected the new Chairman Makoto Nagashima on March 26, 2021 (Corporate Representative: Hitachi, Ltd.).

Note 4 : Chairman and President or someone with an equivalent job responsibility(i.e. the highest ranking manager) are the same person, in a marital relationship with each other, or within one degree of consanguinity : None.

### Major shareholders of institutional shareholders

September 30, 2020

Name of institutional shareholder	Major shareholders of institutional shareholders	Shareholding ratio
Hitachi, Ltd.	The Master Trust Bank of Japan, Ltd.(Trust Account)	9.33%
	Custody Bank of Japan, Ltd.(Trust Account)	5.95%
	Hitachi Employees' Shareholding Association	2.20%
	Custody Bank of Japan, Ltd.(Trust Account 5)	2.07%
	STATE STREET BANK AND TRUST COMPANY 505223	2.07%
	Nippon Life Insurance Company	2.07%
	STATE STREET BANK AND TRUST COMPANY 505001	1.91%
	NATS CUMCO	1.83%
	SSBTC CLIENT OMNIBUS ACCOUNT	1.72%
	JP MORGAN CHASE BANK 385781	1.56%

## Director Information (2)

Qualification  Name	More than five (5) years of work experience and the following professional eligibility			Compliance with the independence requirement (Note)												Number of other public offering companies where the position of part-time independent director is held
	Lecturer or higher ranking at the business, legal affairs, financial affairs, or accounting department, or other departments relating to corporate operation of public and private colleges and universities	Judge, prosecutor, lawyer, CPA, or other professionals and technicians that have taken and been approved in national exams required for corporate operation	Work experience required for business, legal affairs, financial affairs, accounting, or corporate operation	1	2	3	4	5	6	7	8	9	10	11	12	
Makoto Nagashima (Corporate Representative: Hitachi, Ltd.)			✓			✓	✓		✓		✓	✓	✓	✓		0
Tso Ming Hsu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Fong Chieh Tsai		✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chao Ching Hsu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Fu Hsiung Huang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Shih Yang Chen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Li Hsiu Chen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chih Hung Hsieh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note : When any of the following conditions is met for each director or supervisor during the two (2) years prior to and during their tenure, check "✓" in the box underneath each conditional code.

- (1) Not an employee of the Company or its associated enterprise.
- (2) Not a director or supervisor of the Company or its associated enterprise (The same does not apply, however, if the independent director is set up by the Company or its parent company, subsidiary or subsidiary of the same parent company according to the Act or the local laws and regulations).
- (3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.
- (4) Not a spouse, second-degree relative or third-degree relative of the managers in (1) or persons in (2) or (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the Top 5 in holdings or is the representative being assigned as the director or supervisor of the Company by in accordance with Article 27, Paragraph 1 or 2 of the Company Act (The same does not apply, however, if the independent director is set up by the Company or its parent company, subsidiary or subsidiary of the same parent company according to the Act or the local laws and regulations).
- (6) Not a director, supervisor or employee of other company which has over half of the number of directors' seats or shares with voting rights of the Company and is controlled by the same person (The same does not apply, however, if the independent director is set up by the Company or its parent company, subsidiary or subsidiary of the same parent company according to the Act or the local laws and regulations).
- (7) Not a director, supervisor or employee of other companies or institution which concurrently works as or in a spouse relationship to the chairman, general manager or personnel of relative duties of the Company (The same does not apply, however, if the independent director is set up by the Company or its parent company, subsidiary or subsidiary of the same parent company according to the Act or the local laws and regulations).
- (8) Not a director, supervisor, manager, or a shareholder holding more than 5% of shares of a specific company or institution with financial or business activities with the Company (The same does not apply, however, in case where the specific company or institution holds over 20% but less than 50% of the total number of issued shares of the Company and the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary of the same parent company according to the Act or the local laws and regulations).

company are set up according to this Act or local country ordinances).

- (9) Not a professional who provides auditing, or provides related services on commercial, legal affairs, financial affairs, and accounting to the Company or its associated enterprise with the cumulated remuneration within the last two years less than NT\$500,000, or the owner, partner, director, supervisor, manager, and his/her spouse of a sole proprietorship or collaborative company or institution. This does not include members of remuneration committee, public acquisition audit committee or special committee for merger who exercise power in accordance with relevant laws and regulations in Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Not the spouse or a relative within the second degree of kinship to any other director of the Company.
- (11) None of the conditions indicated under Article 30 of the Company Act.
- (12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act.

## (2) Background Information of General Managers, Vice General Managers, Assistant Vice Presidents, and Heads of Various Departments and Branches

April 23, 2021

Title	Nationality	Name	Gender	Date of Inauguration	Shares held		Shares held by spouse and minor child(ren)		Shares held in someone else's name		Main experience/ education	Current positions at other companies	Managers who are the spouse or a relative within the second degree of kinship (Note 3)		
					Quantity	Ratio	Quantity	Ratio	Quantity	Ratio			Title	Name	Relationship
General Manager	ROC	Shang Yu Tsai	M	2019.5	30,000	0%	705	0%	0	0%	Shanghai Jiao Tong University Master of Management	(Note 2)	None	None	None
Building System Vice General Manager	ROC	Chung Wen Wang	M	2018.3	608	0%	0	0%	0	0%	National Chung Tsing University Department of Statistics		None	None	None
Administration Division Assistant Vice President	ROC	Tung Sheng Lin	M	2007.9	1,000	0%	0	0%	0	0%	National Cheng Kung University Master of Industrial Management		None	None	None
Elevator Business Assistant Vice President	ROC	Chieh Jen Chang	M	2017.3	200	0%	0	0%	0	0%	Ming Chi University of Technology Department of Mechanical Engineering		None	None	None
Quality Assurance and Management Assistant Vice President	ROC	Tsun Yao Wu	M	2015.10	853	0%	0	0%	0	0%	National Taiwan University of Science and Technology Department of Mechanical Technology	None	None	None	None
Elevator Production Assistant Vice President	ROC	Hsun Chi Chang	M	2020.4	6,836	0%	0	0%	0	0%	Tsinghua University Master of Industrial Engineering	None	None	None	None
Research and Development Assistant Vice President	ROC	Wen Chieh He	M	2019.8	0	0%	0	0%	0	0%	Tamkang University Department of Aeronautical Engineering	None	None	None	None
Legal Affairs Division Assistant Vice President	ROC	Yu Hsiang Lin	M	2019.9	0	0%	0	0%	0	0%	Northwestern University Master of Law	None	None	None	None
Accounting Manager	ROC	Wei Chuan Wang	M	2019.4	0	0%	0	0%	0	0%	National Chengchi University Department of Business Administration	None	None	None	None
Financial Manager	ROC	Jui Hsun Chang	F	2015.8	827	0%	0	0%	0	0%	Providence University Department of Information Management	None	None	None	None

Note 1 : Managers with prior service in the accounting firm in charge of the current audit or its associated enterprises : None.

Note 2 : Managers holding positions at other companies :

Name	Current position(s) at other companies
Shang Yu Tsai	Chairman : Vietnam Yungtay Representative of juristic-person director : Hong Kong Yungtay, Yungtay (China), Yungchun Capital, Shang Ying Investment, Evest Corporation, Calsonic Co., Ltd
Chung Wen Wang	Representative of juristic-person director : Yungchun Capital
Tung Sheng Lin	Supervisor : Yungtay-Hitachi Construction Machinery Representative of juristic-person supervisor : Yungtay (China), Yungchun Capital
Chieh Jen Chang	Representative of juristic-person director : Yungtay-Hitachi Construction Machinery



### (3) Remunerations paid to directors, independent directors, general managers, and vice general managers

#### 1. Remunerations paid to directors and independent directors

2020; unit: NTD thousand

Title	Name	Remunerations for directors						Ratio of the sum of A, B, C, and D to after-tax earnings		Related remunerations to those who are also employees				Ratio of the sum of A, B, C, D, E, F, and G to after-tax earnings			Claim of remunerations from re-invested businesses or parent company other than subsidiaries			
		Reward (A)		Retirement and pension (B)		Remunerations for directors (C)		Operational expenditure (D)		Bonus and Special expenditure (E)		Retirement and pension (F)		Employee remuneration (G)						
		The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	Cash value	Stock value	Cash value		Stock value	The Company	All companies included in the financial statement
Chairman	Tso Ming Hsu																			
Director	Ray Chun Su																			
Director	Makoto Nagashima (Corporate Representative: Hitachi, Ltd.)	4,880	4,880	0	0	3,111	3,111	1,040	1,520	14,288	32,662	0	0	32	0	91	0	1.78%	3.23%	0
Director	Fong Chieh Tsai																			
Director	Chao Ching Hsu																			
Independent Director	Fu Hsiung Huang																			
Independent Director	Shih Yang Chen	3,660	3,660	0	0	2,333	2,333	1,020	1,020	0	0	0	0	0	0	0	0	0.54%	0.54%	0
Independent Director	Li Hsiu Chen																			

1. Please clearly state the policies, systems, standards and structures for paying remuneration to independent directors and the relation between factors, such as the duties taken, risks, devoted time, and the amount of remuneration :

(1) As is required by the Company's Articles of Incorporation, the Board of Directors is authorized to decide the rewards for the Company's directors (including the Chairman) referring to the advice provided by the Compensation Committee and the general standards in the industry.

(2) It is specified in the Articles of Incorporation that no more than 1% of the annual earnings shall be the rewards for directors. It says in the Organic Charter of the Company's Compensation Committee that the payment of rewards for directors is based on the Company's Regulations Governing Compensation for Directors and Managers. The Compensation Committee shall review the general standards in the industry periodically each year and consider the extent of contribution of the directors and managers to the Company's operational performance and their involvement, performance, and future operational risks and adjust the values of respective compensations hereunder before submitting them to the Board of Directors for final decisions.

Besides those disclosed in the above table, remunerations paid to directors in the most recent year for having provided services to all companies covered in the financial statement (such as working as a consultant who is not an employee) : NT\$0.

1. Please clearly state the policies, systems, standards and structures for paying remuneration to independent directors and the relation between factors, such as the duties taken, risks, devoted time, and the amount of remuneration :  
(1) As is required by the Company's Articles of Incorporation, the Board of Directors is authorized to decide the rewards for the Company's directors (including the Chairman) referring to the advice provided by the Compensation Committee and the general standards in the industry.

(2) It is specified in the Articles of Incorporation that no more than 1% of the annual earnings shall be the rewards for directors. It says in the Organic Charter of the Company's Compensation Committee that the payment of rewards for directors is based on the Company's Regulations Governing Compensation for Directors and Managers. The Compensation Committee shall review the general standards in the industry periodically each year and consider the extent of contribution of the directors and managers to the Company's operational performance and their involvement, performance, and future operational risks and adjust the values of respective compensations hereunder before submitting them to the Board of Directors for final decisions.

2. Besides those disclosed in the above table, remunerations paid to directors in the most recent year for having provided services to all companies covered in the financial statement (such as working as a consultant who is not an employee) : NT\$0.

Note 1 : The juristic person director UT Park View, INC. have resigned on January 14, 2020; Ray Chun Su have resigned on April 29, 2020.

Bracket by which remunerations are paid to individual directors of the company	Name of director			
	Sum of the said four types of remunerations (A+B+C+D)		Sum of the said seven types of remunerations (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement
Below NT\$1,000,000	Ray Chun Su	Ray Chun Su	Ray Chun Su	Ray Chun Su
NT\$1,000,000 (inclusive) ~NT\$2,000,000 (exclusive)	—	—	—	—
NT\$2,000,000 (inclusive) ~NT\$3,500,000 (exclusive)	Tso Ming Hsu, Hitachi, Fong Chieh Tsai, Chao Ching Hsu, Fu Hsiung, Huang, Shih Yang Chen, Li Hsiu Chen	Tso Ming Hsu, Hitachi, Fong Chieh Tsai, Chao Ching Hsu, Fu Hsiung, Huang, Shih Yang Chen, Li Hsiu Chen	Hitachi, Fong Chieh Tsai, Chao Ching Hsu, Fu Hsiung, Huang, Shih Yang Chen, Li Hsiu Chen	Hitachi, Chao Ching Hsu, Fu Hsiung, Huang, Shih Yang Chen, Li Hsiu Chen
NT\$3,500,000 (inclusive) ~NT\$5,000,000 (exclusive)	—	—	—	—
NT\$5,000,000 (inclusive) ~NT\$10,000,000 (exclusive)	—	—	—	Fong Chieh Tsai
NT\$10,000,000 (inclusive) ~NT\$15,000,000 (exclusive)	—	—	—	—
NT\$15,000,000 (inclusive) ~NT\$30,000,000 (exclusive)	—	—	Tso Ming Hsu	Tso Ming Hsu
NT\$30,000,000 (inclusive) ~NT\$50,000,000 (exclusive)	—	—	—	—
Total	16,044	16,524	30,364	49,277

Note : The remunerations paid to drivers in 2020 totaled NT\$830,054.

## 2. Remunerations for general managers and vice general managers

2020; Unit: NTD thousand

Title	Name	Salary (A)		Retirement and pension (B)		Bonus and special expenditure (C)		Employee remunerations (D)				Ratio of the sum of A, B, C, and D to after-tax earnings (%)		Claim of remunerations from re-invested businesses or parent company other than subsidiaries
		The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company		All companies included in the financial statement		The Company	All companies included in the financial statement	
								Cash value	Stock value	Cash value	Stock value			
General Manager	Shang Yu Tsai	6,405	6,405	—	—	5,683	5,683	52	0	52	0	0.93%	0.93%	0
Vice General Manager	Chung Wen Wang													

Note 1 : The Company (all companies included in the financial statement) sets aside NT\$216 thousand as the pension fund.

### Remuneration bracket table

Bracket by which remunerations are paid to respective general managers and vice general managers of the Company	Name of General Manager/Vice General Manager	
	The Company	All companies included in the financial statement
Below NT\$1,000,000	—	—
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	—	—
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	—	—
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Chung Wen Wang	Chung Wen Wang
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Shang Yu Tsai	Shang Yu Tsai
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	—	—
Total	12,140	12,140

Note : The salaries paid to drivers in 2020 totaled NT\$863,842.

#### 4. Names of managers assigned with employee remunerations and the distribution

2020; Unit: NTD thousand

	Title	Name	Stock value	Cash value	Total	Ratio of sum to after-tax earnings (%)
Manager	General Manager	Shang Yu Tsai	0	365	365	0.03%
	Vice General Manager	Chung Wen Wang				
	Assistant Vice President	Tung Sheng Lin				
	Assistant Vice President	Chieh Jen Chang				
	Assistant Vice President	Tsun Yao Wu				
	Assistant Vice President	Chen Kuan Chiang				
	Assistant Vice President	Hsun Chi Chang				
	Assistant Vice President	Ming Chu Chen				
	Assistant Vice President	Wen Chieh He				
	Assistant Vice President	Yu Hsiang Lin				
	Accounting Manager	Wei Chuan Wang				
	Financial Manager	Jui Hsun Chang				

- (4) Compare and separately describe the analysis of ratios of total remunerations paid to directors, supervisors, general managers, and vice general managers of the Company for the past two (2) years by the Company and all companies in the consolidated statement to after-tax earnings indicated in the entity or individual financial statements and describe correlation among the remuneration payment policy, standards and combination, remuneration establishment procedures, and management efficacy and risks in the future:

Unit: NTD thousand

Items  Title	2019				2020			
	The Company		All companies in the consolidated statement		The Company		All companies in the consolidated statement	
	Sum of remunerations	Ratio of sum to after-tax earnings (%)	Sum of remunerations	Ratio of sum to after-tax earnings (%)	Sum of remunerations	Ratio of sum to after-tax earnings (%)	Sum of remunerations	Ratio of sum to after-tax earnings (%)
Director	45,278	4.82%	61,267	6.52%	30,364	2.32%	49,277	3.76%
Supervisor	—	—	—	—	—	—	—	—
General Manager and Vice General Manager	17,911	1.91%	19,874	2.12%	12,140	0.93%	12,140	0.93%

The Company pays remunerations according to the salary level on the market for the position concerned and the scope of responsibility required for the position in the Company as well as the prospective contribution of the person holding the position to the Company's operation. The remuneration establishment procedure takes into consideration the overall operational performance of the Company and also the fulfillment rate of personal performance as well as the level of contribution to the Company's performance. Reasonable rewards are given accordingly. The remuneration regulations have been approved by the Company's Remuneration Committee and related payments were proposed by the Remuneration Committee and released following the approval of the Company's Board of Directors.

The remunerations paid to the Company's directors and supervisors over the past two (2) years have to do with the current operational performance; as for those paid to general managers and vice general managers, review of the fulfillment of their performance objectives did not reveal future risks for the Company as a result of fulfillment of short-term performance.

### (III) Status of Corporate Governance

#### (1) Board of Directors

The Board of Directors met 8 times (A) in 2020. Attendance of directors in the meetings is as follows:

Title	Name	Actual attendance (seated) frequency (B)	Attendance through proxy frequency	Actual attendance (seated) rate (%) (B/A) (Note 1)	Notes
Chairman	Tso Ming Hsu	8	0	100%	New appointment (Note 2)
Director	Ray Chun Su	2	1	38%	Reappointment (Note 3)
Director	Makoto Nagashima (Corporate Representative: Hitachi, Ltd.)	8	0	100%	Reappointment (Note 2)
Director	Fong Chieh Tsai	8	0	100%	Reappointment
Director	Chao Ching Hsu	8	0	100%	New appointment
Director	UT Park View, Inc Representative Wei Tsung Chang	0	0	0%	Reappointment (Note 4)
Independent Director	Fu Hsiung Huang	7	0	88%	New appointment
Independent Director	Shih Yang Chen	8	0	100%	Reappointment (Note 5)
Independent Director	Li Hsiu Chen	8	0	100%	New appointment

Other details to be documented:

- 1) When the operation of the Board of Directors is found with one of the following conditions, the date, session No., details of proposals, opinions of all independent directors and how the Company handles the opinions shall be stated :

1. Matters listed in Article 14-3 of the Securities Exchange Act:

Date (Session No.)	Details of proposals	Opinions of all independent directors and how the Company handles the opinions
2020/3/25 (No. 8 of the 19 <sup>th</sup> Board of Directors meeting)	2019 annual financial statements proposal	All independent directors approved as proposed.
	2019 earnings distribution proposal	All independent directors agree to postpone the motion for the next meeting.
	2019 remunerations of employees and directors distribution proposal	All independent directors approved as proposed.
	2019 statement of internal control system	
	The situation of independence and appointment and remuneration of the visa accountant	
	Amendment to Internal Control System and Internal Audit Implementation Rules	
	2020 Amendment to Internal Audit Plan	All independent directors agree to postpone the motion for the next meeting.
	Amendment to Remuneration Management Rules for Directors and Managers; An update to Professional Supervisor Compensation Management Rules	

Date (Session No.)	Details of proposals	Opinions of all independent directors and how the Company handles the opinions
2020/4/15 (No. 9 of the 19 <sup>th</sup> Board of Directors meeting)	2019 earnings distribution proposal	Independent directors Shih Yang Chen, Li Hsiu Chen expressed assent, and independent director Fu Hsiung Huang had reservations. The Company published material information in accordance with regulations.
2020/4/28 (No. 10 of the 19 <sup>th</sup> Board of Directors meeting)	2019 earnings distribution proposal	Independent directors Shih Yang Chen, Li Hsiu Chen expressed assent, and independent director Fu Hsiung Huang had reservations. The Company published material information in accordance with regulations.
2020/5/07 (No. 11 of the 19 <sup>th</sup> Board of Directors meeting)	Amendment to Remuneration Management Rules for Directors and Managers; An update to Professional Supervisor Compensation Management Rules	Independent directors Shih Yang Chen, Li Hsiu Chen expressed assent to amendment to Remuneration Management Rules for Directors and Managers; An update to Professional Supervisor Compensation Management Rules has been postponed to the next meeting.
	It is planned to authorize the Chairman to propose a credit line to the financial institution.	All independent directors approved as proposed.
	Amendment to Standard Specification of The Internal Control System of The Stock Unit	All independent directors approved as proposed.
2020/8/06 (No. 13 of the 19 <sup>th</sup> Board of Directors meeting)	Amendment to Remuneration Management Rules for Directors and Managers	Independent directors Shih Yang Chen, Li Hsiu Chen expressed assent, and independent director Fu Hsiung Huang expressed objection. The Company published material information in accordance with regulations.
	An update to Professional Supervisor Compensation Management Rules	
	The motion for appointment, dismissal and remuneration of audit supervisor	All independent directors approved as proposed.
2020/12/07 (No. 15 of the 19 <sup>th</sup> Board of Directors meeting)	2021 operating plan	All independent directors approved as proposed.
	2021 Audit Plan	
	The donations to related party in 2021	
	The transactions of related party	

2. Other resolutions reached in Board of Directors' meetings objected to or with reservations expressed by independent directors that are recorded or documented in written statements of directors in a written statement :

Date (Session No.)	Details of proposals	Opinions of all independent directors and how the Company handles the opinions
2020/4/15 (No. 9 of the 19 <sup>th</sup> Board of Directors meeting)	2019 earnings distribution proposal	Independent directors Shih Yang Chen, Li Hsiu Chen expressed assent, and independent director Fu Hsiung Huang had reservations. The Company published material information in accordance with regulations.
2020/4/28 (No. 10 of the 19 <sup>th</sup> Board of Directors meeting)	2019 earnings distribution proposal	Independent directors Shih Yang Chen, Li Hsiu Chen expressed assent, and independent director Fu Hsiung Huang had reservations. The Company published material information in accordance with regulations.
2020/5/07 (No. 11 of the 19 <sup>th</sup> Board of Directors meeting)	Amendment to Remuneration Management Rules for Directors and Managers; An update to Professional Supervisor Compensation Management Rules	Independent directors Shih Yang Chen, Li Hsiu Chen expressed assent, and independent director Fu Hsiung Huang had reservations. The Company published material information in accordance with regulations.
2020/8/06 (No. 13 of the 19 <sup>th</sup> Board of Directors meeting)	Amendment to Remuneration Management Rules for Directors and Managers	Independent directors Shih Yang Chen, Li Hsiu Chen expressed assent, and independent director Fu Hsiung Huang expressed objection. The Company published material information in accordance with regulations.
	An update to Professional Supervisor Compensation Management Rules	

- 2) For the enforcement of recusal upon conflicts of interest among directors, the name of the director, details of the proposal, reason for the recusal, and participation in the voting process or not shall be described:  
In 2020 : None.
- 3) Reinforced assessments of functional objectives of the Board of Directors and implementation status of the objectives of the immediate year and the most recent year:
1. The company has the "Corporate Governance Office" established and then upgraded as the "Legal Affairs Division" under the supervision of the board of directors.
  2. The Company established an Audit Committee in June 2018 and established an Integrity Management Committee in December 2020. It is consisting of three independent directors to assist the Board of Directors in fulfilling their supervisory duties.
  3. To enhance information security, the Company founded the Information Security Committee on November 1, 2020. The Committee stipulated information security policies and concrete management plans and carried out security maintenance plans. It convenes the information security review meeting every quarter, presents the project result report at the Board of Directors' meeting every year, and discloses it on the Company's website or annual report.
  4. On November 5, 2020, during the 14th of the 19th term board of directors' meeting, the Regulations for Evaluating the Performance of the Board of Directors was added to implement corporate governance and improve the function of the Board of Directors, set up the performance objective to increase the operating efficiency of the Board of Directors, and strengthen the capability that the Board of Directors exercises their duties.
  5. Related investor information is constantly updated and added to the Company's website in order to reinforce information disclosure and enhance information transparency.

Note 1 : The actual attendance (seated) rate (%) is calculated by the number of Board of Directors meetings held during service and the actual attendance (seated) in the meetings.

Note 2 : The former Chairman Tso Ming Hsu resigned on March 26, 2021 due to his career plan. The company's board of directors elected the new Chairman Makoto Nagashima on March 26, 2021 (Corporate represented: Hitachi, Ltd.).

Note 3 : Director Ray Chun Su resigned on April 29, 2020.

Note 4 : The juristic person director UT Park View, INC. and its representative Wei Tsung Chang, have tendered the resignation from the Board of Directors of the Company on January 13, 2020.

Note 5 : Independent director Fu Hsiung Huang convened the first special shareholders meeting for the year of 2021 on February 8, 2021 to have Independent Director Shih Yang Chen dismissed and to have Independent Director Chih Hung Hsieh elected ahead of schedule.

(2) Operational status of the Audit Committee

1. The Company established an Audit Committee in June 2018.

2. The Audit Committee met 6 times (A) in 2020. Attendance of the meetings is as follows:

Title	Name	Actual seated frequency (B)	Actual seated rate (%) (B/A) (Note 1)	Notes
Chairman	Shih Yang Chen	6	100%	
Commissioner	Fu Hsiung Huang	6	100%	
Commissioner	Li Hsiu Chen	6	100%	

Other details to be documented:

(I) 1) Matters listed in Article 14-5 of the Securities Exchange Act:

Date (Session No.)	Details of proposals	Opinions of all independent directors and how the Company handles the opinions
2020/3/24 (No. 4 of the 2 <sup>nd</sup> Audit Committee meeting)	2019 annual financial statements	All independent directors approved as proposed.
	2019 statement of internal control system; Amendment to Internal Control System and Internal Audit Implementation Rules	
	2020 Amendment to Internal Audit Plan	
	Amendment to Organizational Procedures for The audit Committees	
	Appointment and remuneration of the visa accountant	
	Amendment to Remuneration Management Rules for Directors and Managers	After discussion by all independent directors, the Legal Services Department is obliged to amend and submit them to The Board of Directors for discussion.
2020/4/07 (No. 5 of the 2 <sup>nd</sup> Audit Committee meeting)	2019 earnings distribution proposal	Independent directors Shih Yang Chen, Li Hsiu Chen expressed assent, and independent director Fu Hsiung Huang expressed objection. The Company published material information in accordance with regulations.
2020/5/06 (No. 6 of the 2 <sup>nd</sup> Audit Committee meeting)	Amendment to Remuneration Management Rules for Directors and Managers	Independent directors Shih Yang Chen, Li Hsiu Chen expressed assent, and independent director Fu Hsiung Huang expressed objection. The Company published material information in accordance with regulations.
2020/8/04	Amendment to Remuneration Management	Independent directors Shih Yang



(No. 7 of the 2 <sup>nd</sup> Audit Committee meeting)	Rules for Directors and Managers	Chen, Li Hsiu Chen expressed assent, and independent director Fu Hsiung Huang expressed objection. The Company published material information in accordance with regulations.
	The motion for loaning of fund by the Company	All independent directors agree to postpone the motion for the next meeting. However, this motion will be implemented via self-financing by subsidiaries at the 13th of the 19th term board of directors' meeting on August 6, 2020.
	The motion for appointment, dismissal and remuneration of audit supervisor	All independent directors approved as proposed.
2020/11/03 (No. 8 of the 2 <sup>nd</sup> Audit Committee meeting)	Amendment to Organizational Procedures for The audit Committees	All independent directors approved as proposed.
	Amendment to The Method by Independent Directors Exercise their Functions and Powers	
	Amendment to Organizational Procedures for The Remuneration Committee	
	Amendment to The Method for evaluating the performance of the Yungtay Board of Directors	
2020/12/07 (No. 9 of the 2 <sup>nd</sup> Audit Committee meeting)	2021 Audit Plan	All independent directors approved as proposed.

2) Other resolutions which was not approved by the Audit Committee but was approved by two thirds or more of all directors : None.

(II) The enforcement of independent directors' recusal due to conflicts of interest : None.

(III) Communication between the Audit Committee and internal audit head and CPAs :

1) The internal audit supervisor the Company regularly negotiates with the Audit Committee on internal and external audit inspections of the Company. The main contents include opinions and improvements made for major examinations on the implementation of business audit, internal operation, and internal and external audit. Negotiations on the opinions and improvements will be reported to the board of directors' meeting after the Audit Committee meeting and recorded it in written form. When major unusual issues occur, both parties exchange opinions immediately and ensure quick communication. No major unusual issue occurred in 2020. In addition, communications among the independent directors and internal audit supervisors in 2020 are summarized and disclosed on the official website.

(2) The Company's CPAs have presented the findings of their quarterly review or audits on the Company's financial results. Under applicable laws and regulations, the CPAs are also required to immediately communicate to the Audit Committee any material matters that they have discovered. During 2020, the Company's CPAs did not report any irregularity. The communication channel between the Audit Committee and the CPAs functioned well. In addition, communications among the independent directors and internal audit supervisors in 2020 are summarized and disclosed on the official website.

Note 1 : The actual attendance (seated) rate (%) is calculated by the number of meetings held during service and the actual attendance (seated) in the meetings.

Note 2 : Independent director Shih Yang Chen were dismissed after the first extraordinary shareholders' meeting on February 8, 2021 and to have Independent Director Chih Hung Hsieh elected ahead of schedule.

**(3) Corporate governance implementation status and deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons**

Assessed areas	Operational status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief descriptions	
(I) Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	V		The Company prepared its corporate governance principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, which were already approved by the Board of Directors in August 2017 and disclosed on the Market Observation Post System and the Company's websites.	No major deviations.
(II) Shareholding structure & shareholders' rights				
1. Does the company establish internal operating procedures for handling shareholder suggestions, questions, disputes or lawsuits and implement the procedures?	V		1. There are spokespersons, acting spokespersons, and legal affairs and stock affairs sections to address suggestions and concerns from, disputes, and lawsuits concerning shareholders.	No major deviations.
2. Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	V		2. The list of major shareholders is printed each year for the shareholders' meeting and upon ex-right and ex-dividend when a transfer is disallowed to help understand changes in major shareholders.	No major deviations.
3. Has the company established and implemented risk management and firewall mechanisms regarding its associated enterprises?	V		3. Associated enterprises run their own finance and accounting. There are also related procedures in place for endorsement/guarantee and lending of funds as required by law. Meanwhile, "the Regulations for the Supervision and Management of Subsidiaries" are followed. They are under the control and will be audited by the parent company.	No major deviations.
4. Has the company established internal rules against insiders trading with undisclosed information?	V		4. The Procedure for Handling Major Internal Information is in place and education is provided to related people periodically to help create a sound internal major information processing and disclosure mechanism for the Company, to avoid illegitimate disclosure of information, to prevent against insider trading, and to ensure consistency and accuracy of information released to the public.	No major deviations.
(III) Composition and Responsibilities of the Board of Directors				
1. Has the Board of Directors developed and implemented a diversified policy for the composition of its members?	V		1. a)The Company has established the "Corporate Governance Best Practice Principles", and in Chapter 3 "Enhancing the Functions of the Board of Directors", it specifies the requirement for the diversity of the composition of members of board of directors. The nomination and election of members of board of directors of the Company comply with the requirements specified in the Company's articles of incorporation, and the candidate nomination system is adopted. In addition to the evaluation of the	No major deviations.

Assessed areas	Operational status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief descriptions	
			<p>education background and experience qualification of all candidates, the opinions of the stakeholders are also considered, and the requirements specified in the “Procedures for Election of Directors ” and “Corporate Governance Best Practice Principles” are satisfied in order to ensure the diversity and independence of the members of board of directors.</p> <p>b) The roster of the 19th term of board of directors of the Company consists of 7 directors including one female director. All of the directors are equipped with the knowledge, expertise and quality necessary for executing the job duties. Presently, regarding the members of board of directors of the Company, Makoto Nagashima, Tso Ming Hsu, Fong Chieh Tsai are proficient in leadership, decision making, management industry knowledge; Chao Ching Hsu is proficient in the medical, health and legal professional fields; the independent director, Chih Hung Hsieh, is proficient in Japanese law; and independent director, Li Hsiu Chen, assumes the position of committee member of the Clean Government Committee of Taipei City Government, member and secretary-general of the Association of Certified Fraud Examiners; independent director, Fu Hsiung Huang, is proficient in commercial law and financial law. The expertises of all members of the board of directors are beneficial to the operational development of the Company.</p>	
2. Does the company voluntarily establish other functional committees in addition to Remuneration Committee and Audit Committee that are established as required by laws?	V		2. Besides the remuneration committee is established as required by law, the Company has set up an audit committee in June 2018; and set up a the Information Security Committee in November 1, 2020; and set up an Integrity Management Committee in December 7, 2020. Other functional committees will be set up as needed in the future.	No major deviations.
3. Has the company established methodology for evaluating the performance of the Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and uses the results as reference for directors’ remuneration and renewal?		V	3. On November 5, 2020, the Company established the Regulations for Evaluating the Performance of the Board of Directors and intends to implement the Board of Directors' performance evaluation system in 2021.	They will be stipulated to reflect actual needs in the future.

Assessed areas	Operational status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief descriptions	
4. Does the company regularly evaluate the independence of CPAs?	V		4. The Company evaluates the professionalism and independence of CPAs at least once annually. In addition, through inquiries conducted by the shock affairs unit of the Company, the CPAs and audit team are confirmed to possess no shares of the Company and are not engaged in brokerage of any stocks or other securities issued by the Company. Furthermore, the CPAs are not concurrently holding any positions in the Company. With regard to the indicators of the scale, reputation and audit certification fee of the accounting firm, whether there are periodic continuing educations and interactions with internal audit supervisor etc., Jiang Sheng & Co., CPAs has also issued a statement of independence and has provided relevant information in addition to the signing of the power of attorney annually for submission to the board of directors for assessment. The assessment result of 2020 has been completed on March 25 2020. The assessment result of the most recent year has been completed on March 26, 2021.	No major deviations.
(IV) Does the company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	V		The company has the "Corporate Governance Office" established and then upgraded as the "Legal Affairs Division" under the supervision of the board of directors. The corporate governance officer and responsible personnel are assigned to provide directors with the information needed to perform their duties and to handle matters related to the Board Meeting, Audit Committee Meeting, Remuneration Committee Meeting, and Shareholders Meeting; and to assist directors to comply with law and regulations. The registration and change registration of the company is handled by the responsible personnel of the Administration Office. The Corporate Governance Office shall have the board meeting minutes prepared by the designated personnel. The Accounting Department shall have the Audit Committee meeting minute prepared. The Human Resources Department shall have the Remuneration Committee meeting minute prepared. The Stock Affair Office shall have the Shareholders meeting minute prepared by the designated personnel. The Corporate Governance Officer selects continuing education related to job duties in accordance with the "Operation Directors for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers." A total of 27-hour courses were completed from March 20, 2020 to December 11, 2020 with the relevant information disclosed on the	No major deviations.

Assessed areas	Operational status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief descriptions	
			company's website.	
(V) Has the company established a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and properly respond to corporate social responsibility issues that stakeholders are concerned about?	V		For employees, there is the labor union. For shareholders, there are the legal affairs and stock affairs units. For customers, there is complaint management. Meanwhile, spokespersons and acting spokespersons are available to facilitate communications with stakeholders. Related contact information is announced on the Company's website and its Annual Report. There is also an exclusive section for stakeholders on the Company's website to facilitate addressing issues of concern for stakeholders.	No major deviations.
(VI) Does the company designate a professional shareholder service agency to deal with affairs relating to shareholders meetings?		V	The Company handles its own stock affairs. There is the stock affairs division to take charge of shareholders' meetings.	No major deviations.
(VII) Disclosure of Information				
1. Has the company established a corporate website to disclose information regarding its financial, business and corporate governance status?	V		1. The Company has established a corporate website to disclose its financial statements and corporate governance-related information and there is a link on the website to the Market Observation Post System.	No major deviations.
2. Does the company adopt other ways of disclosing information (e.g., maintaining an English website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?	V		2. There are specialists in the stock affairs and statistics divisions responsible for collecting and disclosing information. Meanwhile, comments made to the public are the exclusive responsibilities of spokespersons and acting spokespersons that are also available. The Company releases information on investor conferences on its website, too.	No major deviations.
3. Does the company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	V		3. The Company follows relevant laws and regulations to announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline. Please see <a href="https://emops.twse.com.tw/server-java/t58query">https://emops.twse.com.tw/server-java/t58query</a> .	No major deviations.
(VIII) Is there any other important information available to facilitate a better understanding of the company's corporate governance operational status (including without limitation employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk	V		Refer to [Note].	No major deviations.

Assessed areas	Operational status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief descriptions	
evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?				
<p>(IX) Explain improvements made according to corporate governance evaluation results released in the most recent year by the corporate governance center of Taiwan Stock Exchange and provide priorities to be reinforced and measures among those pending improvement.</p> <p>(1) The Seventh Corporate Governance Evaluation in 2020, the Company ranked 25%~35%. In order to enhance corporate governance, items without a score during the accreditation have been evaluated one by one for their feasibility and related solutions are introduced.</p> <p>(2) The company strives to realize green energy technology for creating a new era of environmental protection; expand social participation and sustainable development, and issue a corporate social responsibility report in 2021.</p>				

- Note :
- (1) Employee rights, employee wellness : The Company operates in strict compliance with laws and regulations and its personnel administration meets the requirements of local laws and regulations. The Company considers employees as its most important asset. To protect the rights and interests of employees, a labor union is established and regular labor-management meetings are held. The Company hence provides diversified communication channels so that employees can freely express their advice for the Company, which will be the basis for improving various measures. There is the Employee Welfare Committee and the Company supports establishment of various types of societies to help organize respective recreational activities, tours, and welfare events so that both employees and their dependents may enjoy the benefits provided by the Company. In addition, holiday gifts, marital and funeral subsidies, reimbursements for rewarding tours, among others, are available. Meanwhile, employee remunerations are provided so that employees can share operational fruits. The OHSAS18001 certification for occupational safety and health management systems is approved to precisely safeguard safety of employees at work. “The Company has the Work Rules” and “the Employee Code of Conduct” in place that specify in detail related rights and obligations employees are entitled to, the expected behavior from them while in service, and the ethics at work that they should follow.
  - (2) Investor relations, supplier relations, rights of stakeholders, the implementation of risk management policies and risk evaluation standards : The Company releases related information to general investors both periodically and from time to time to keep them informed as required by laws and regulations. There are specific regulations governing the screening of suppliers, procurement, acceptance, and payment to facilitate mutual compliance and to help maintain a desirable relationship with suppliers. Directors of the Company possess enriched industrial professionalism and practical experiences in management. Most of them are able to adequately appear in the Board of Directors’ meetings and strictly comply with the recusal principle in proposals concerning their personal interest. Stakeholders have no problems communicating with the Company and the legal rights they are entitled to may be protected. The Company has various internal management rules and approval powers defined for respective tasks carried out. For significant affairs, on the other hand, they are handled as an exceptional case and various types of risk assessment and control are performed.
  - (3) Implementation of policies to protect consumers or customers : The ISO9001 certification for quality was approved, realizing the first commitment Yungtay made to quality. There is the 24-hour toll-free hotline for customers to make a complaint and to help ensure the safety of customers while riding in our elevators. There are also the mail box and web page for filing a complaint. Complaints are handled by specialists. We obtained ISO14001 certification and we evaluate the impacts of our product design, manufacturing, and installation process flows on the environment in order to fulfill our obligation as a member of the global village. We are serving our customers on the belief of “always thinking ahead for you” and we provide customers with “humanized daily transport”. Yungtay persistently “provide customers with

satisfying products and services and avoid any inconvenience for them appropriately.” By maintaining an optimal and steady relationship with customers, we are creating profits for the Company. The company has established a communication channel for stakeholders on the company’s website to protect stakeholder’s rights, so stakeholders can directly contact and communicate with the company by telephone or email. In addition, a reporting mailbox for unethical corporate management and a reporting mailbox for illegal and unethical conduct are set up for employees or stakeholders to report violations of law and regulations.

(4) Continuing education of directors in 2020 :

Title	Name	Date of inauguration	Duration of continuing education		Organizer	Course title	Hours involved	Compliance with requirement
			Start	End				
Director	Fong Chieh Tsai	2019/04/18	2020/09/22	2020/09/22	Taipei Exchange	Agenda of the "Corporate Governance 3.0 - A Blueprint for Sustainable "	3.0	No
Independent Director	Shih Yang Chen	2019/04/18	2020/11/04	2020/11/04	The National Federation of CPA Associations	A case study on administrative relief	3.0	Yes
			2020/11/16	2020/11/16		Analyze to new Profit-Seeking Enterprise Income Tax Act in 2020 and Statute for Industrial Innovation	3.0	
			2020/11/16	2020/11/16		Equity Plan	3.0	
			2020/11/24	2020/11/24		Prevention and resolution measures for the competition for the company's operating rights and deadlock	3.0	
Independent Director	Li Hsiu Chen	2019/04/18	2020/06/18	2020/06/18	ACFE Taiwan Chapter	Fraud investigation and interview planning techniques	3.0	Yes
			2020/07/03	2020/07/03		Data analysis is used in case sharing of fraud investigations	6.0	
			2020/08/10	2020/08/10	The National Federation of CPA Associations	Disputes over tax practice and tax negotiation	3.0	
			2020/08/28	2020/08/28	ACFE Taiwan Chapter	The system of forensic accounting and expert witness has developed in Taiwan's judicial practice	3.0	
			2020/10/28	2020/10/28	Corporate Operation Association	Intellectual property management has become a new subject of corporate governance	6.0	
			2020/11/27	2020/11/27	The National Federation of CPA Associations	Evaluation and Forensic Accounting Forum -- Evaluation and forensic accounting in the practice of the court	6.0	
			2020/12/02	2020/12/02	Taiwan Corporate Governance Association	16th Corporate Governance Summit - Play the role of independent director to strengthen the value creation of the board of directors	6.0	
			2020/12/04	2020/12/04	ACFE Taiwan Chapter	The impact of corporate ethics and the construction of corporate culture on the internal audit environment	3.0	
			2020/12/22	2020/12/22		Examples of procurement fraud patterns are discussed	3.0	
Independent Director	Li Hsiu Chen	2019/04/18	2020/02/14	2020/02/14	Taiwan Corporate Governance Association	Key technologies of 5G and IOT and market applications	3.0	Yes
			2020/02/21	2020/02/21		Trends and risk management in digital technology and artificial intelligence	3.0	
			2020/07/22	2020/07/22	Securities and Futures Institute	Analysis and response to international tax trends under the new corporate governance blueprint	3.0	

Title	Name	Date of inauguration	Duration of continuing education		Organizer	Course title	Hours involved	Compliance with requirement
			Start	End				
			2020/08/26	2020/08/26	China Life Insurance Company Limited	Important norms related to insurance law	6.0	
			2020/08/31	2020/08/31		Insurance laws follow risk and supervision	3.0	
			2020/09/01	2020/09/01		Introduction to Comprehensive Money Laundering and Counter-Terrorism Assessment Methodology for the Insurance Industry and Introduction to the Report(1)	3.0	
			2020/09/01	2020/09/01		Introduction to Comprehensive Money Laundering and Counter-Terrorism Assessment Methodology for the Insurance Industry and Introduction to the Report(2)	3.0	
			2020/09/07	2020/09/07	Taiwan Corporate Governance Association	Insurance Industry Socially Responsible Investment and ESG Development Trends	3.0	
			2020/09/08	2020/09/08	China Life Insurance Company Limited	Insurance Industry Fairness Principles (1)	3.0	
			2020/09/08	2020/09/08		Insurance Industry Fairness Principles (2)	3.0	
			2020/09/09	2020/09/09	Taiwan Corporate Governance Association	The Role of Independent Directors in Business Operation and Corporate Governance (1)	3.0	
			2020/09/09	2020/09/09		The Role of Independent Directors in Business Operation and Corporate Governance (2)	3.0	
			2020/09/29	2020/09/29	China Life Insurance Company Limited	IFRS17 core snapshot and its impact on the life insurance industry	3.0	

- (5) Insurance purchased by the company for directors : In order to reinforce corporate governance, the company has acquired liability insurance for directors who are responsible for compensating any damages resulting from the negligence of the board directors throughout their office term. The company shall acquire liability insurance for board directors to reduce and disperse the risk of major damages to the company and shareholders resulted from the directors' misconducts or negligence. The important content of such practice was reported in the 11th board meeting of the 19th term of office (05.07.2020) and the 16th board meeting of the 19th term of office (03.26.2021).



#### (4) Composition, responsibilities, and operations of the Remuneration Committee

##### 1. Membership of Remuneration Committee

Status distribution (Note 1)	Qualification  Name	More than five (5) years of work experience and the following professional eligibility			Compliance with the independence requirement (Note 2)										Number of other public offering companies with part-time membership in their Remuneration Committee	Notes End of document
		Lecturer or higher ranking at the business, legal affairs, financial affairs, or accounting department, or other departments relating to corporate operation of public and private colleges and universities	Judge, prosecutor, lawyer, CPA, or other professionals and technicians that have taken and been approved in national exams required for corporate operation	Work experience required for business, legal affairs, financial affairs, accounting, or corporate operation	1	2	3	4	5	6	7	8	9	10		
Independent director	Fu Hsiung Huang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent director	Li Hsiu Chen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Chih Hung Hsieh		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	

Note 1: Provide director, independent director, or other for Status.

Note 2: When any of the following conditions is met for each member during the two (2) years prior to and during their tenure, please check "✓" in the box underneath each conditional code.

- (1) Not an employee of the Company or its associated enterprise.
- (2) Not a director or supervisor of the Company or its associated enterprise (The same does not apply, however, if the independent director is set up by the Company or its parent company, subsidiary or subsidiary of the same parent company according to the Act or the local laws and regulations)
- (3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.
- (4) Not a spouse, second-degree relative or third-degree relative of the managers in (1) or persons in (2) or (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the Top 5 in holdings or is the representative being assigned as the director or supervisor of the Company by in accordance with Article 27, Paragraph 1 or 2 of the Company Act (The same does not apply, however, if the independent director is set up by the Company or its parent company, subsidiary or subsidiary of the same parent company according to the Act or the local laws and regulations).
- (6) Not a director, supervisor or employee of other company which has over half of the number of directors' seats or shares with voting rights of the Company and is controlled by the same person (The same does not apply, however, if the independent director is set up by the Company or its parent company, subsidiary or subsidiary of the same parent company according to the Act or the local laws and regulations).
- (7) Not a director, supervisor or employee of other companies or institution which concurrently works as or in a spouse relationship to the chairman, general manager or personnel of relative duties of the Company (The same does not apply, however, if the independent director is set up by the Company or its parent company, subsidiary or subsidiary of the same parent company according to the Act or the local laws and regulations).
- (8) Not a director, supervisor, manager, or a shareholder holding more than 5% of shares of a specific company or institution with financial or business activities with the Company.
- (9) Not a professional providing services or consultations on business, legal affairs, financial affairs, and accounting at the Company or its associated enterprise or the owner, partner, director, supervisor, manager, and his/her spouse of a sole proprietorship or collaborative company or institution.
- (10) None of the conditions indicated under Article 30 of the Company Act.

## 2. Information on the operational status of the Remuneration Committee

- 1) The Company's Remuneration Committee has 3 members in total.
- 2) Current members will serve from May 13, 2019 to April 17, 2022. The Remuneration Committee met 4 times (A) in 2020. Qualification and attendance of members are as follows :

Title	Name	The actual frequency of attendance in the meetings (B)	Frequency of attendance through proxy	Actual attendance rate (%) (B/A) (Note 1)	Notes
Convener	Shih Yang Chen	4	0	100%	
Member	Fu Hsiung Huang	4	0	100%	
Member	Li Hsiu Chen	4	0	100%	

Other details to be documented :

1. If the Board of Directors does not accept or modifies suggestions provided by the Remuneration Committee, the date of the Board of Directors meeting, the session number, contents of the proposal, decisions made by the Board of Directors, and management of opinions from the Remuneration Committee by the Company should be stated (If the compensation and rewards approved by the Board of Directors are superior to those advised by the Remuneration Committee, there should be descriptions of the differences and reasons considered) : None.
2. For decisions made by the Remuneration Committee, as long as there are members objecting or having their reservations that are recorded or stated in writing, the date of the Remuneration Committee meeting, the session number, contents of the proposal, and how opinions from all members and from opposing members are handled should be described :

Date (Session No.)	Details of proposals	Opinions of all independent directors and how the Company handles the opinions
2020/5/06 (No. 4 of the 5 <sup>th</sup> Remuneration Committee meeting)	Amendment to Remuneration Management Rules for Directors and Managers; An update to Professional Supervisor Compensation Management Rules	Independent directors Shih Yang Chen, Li Hsiu Chen expressed assent to amendment to Remuneration Management Rules for Directors and Managers; and independent director Fu Hsiung Huang expressed objection. The Company published material information in accordance with regulations. An update to Professional Supervisor Compensation Management Rules has been postponed to the next meeting.
	Remuneration for the Company's managers.	Independent directors Shih Yang Chen, Li Hsiu Chen expressed assent, and independent director Fu Hsiung Huang expressed objection. The Company published material information in accordance with regulations
2020/8/04 (No. 5 of the 5 <sup>th</sup> Remuneration Committee meeting)	Amendment to Remuneration Management Rules for Directors and Managers	Independent directors Shih Yang Chen, Li Hsiu Chen expressed assent, and independent director Fu Hsiung Huang expressed objection. The Company published material information in accordance with regulations
	An update to Professional Supervisor Compensation Management Rules	

Note 1 : The actual attendance rate (%) is calculated by the number of Remuneration Committee meetings held during service and the actual attendance frequency in the meetings.

Note 2 : On April 7, 2021, the Board of Directors appointed Chih Hung Hsieh as the Remuneration Committee member.

**(5) Social responsibility implementation status and deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons**

Assessed areas	Operational status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief descriptions	
(I) Does the company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?		V	There is no risk management related policy or strategy has been established yet.	They will be established to reflect actual needs in the future.
(II) Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management as authorized by the Board of Directors and reports its progress to the Board of Directors?		V	There are no full-time (part-time) units devoted to promoting corporate social responsibilities yet.	They will be established to reflect actual needs in the future.
(III) Environment Topic 1. Has the company developed an appropriate environmental management system, given its distinctive characteristics?	V		1. We are enforcing ISO14001 and OHSAS18001 standards and have been certified accordingly. Each year, we continuously communicate our environmental safety and health policies to employees.	No major deviations.
2. Has the company endeavored to improve the efficiency of resource utilization and used recycled materials which have a low impact on the environment?	V		2. a) The R&D and design are headed toward developing clean processes so that generation of waste and pollution may be reduced. Energy-saving PM servers will be developed and applied. Paper reutilization and resources recycling are promoted. We are also proactively practicing energy-saving and carbon reduction in offices in order to reduce squandering of resources. b) We are promoting e-processes. At present, the electronic system for forms and tables is used to turn paperwork digitalized (e-paper) so that the amount of paper used may be minimized. The waste recycled includes used paper, used wood, used wires, and scrap.	No major deviations.
3. Does the company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?		V	3. There are no current and future climate change potential risks and opportunities have been evaluated yet.	They will be evaluated to reflect actual needs in the future.
4. Does the company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	V		4. a) The waste gas/air generated from the Company's process is discharged after it goes through the direct fired incinerator and activated carbon absorption treatment. There are also temperature control criteria for air-conditioning in offices. All are meant to accomplish the energy-saving and carbon reduction goal. b) Taoyuan Plant is currently the main production site. According to the power	No major deviations.

Assessed areas	Operational status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief descriptions	
			<p>consumption calculated by Taipower Company and the electricity emission coefficient calculated by the Bureau of Energy, the total CO2 emissions in 2019 and 2020 were 2,395 MT and 2,335 MT, respectively. The total water consumption and total waste in 2019 were 7,221 MT and 1,894 MT, respectively. The total water consumption and total waste in 2020 were 8,479 MT and 2,079 MT, respectively. Since 2009, verification has been made by authorized external environmental monitoring institutes.</p> <p>c) Yungtay (China) enforces energy-saving and carbon reduction measures. Besides replacing high-performance energy-saving lights, it is encouraging turning the lights off when they are not in use whenever possible. Sub-meters are installed at electricity-saving points. For new manufacturing facilities, on the other hand, LED energy-saving systems are used. In addition, energy feedback systems are being developed for elevators, with a mean daily electricity conservation rate up to 30%.</p>	

Assessed areas	Operational status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief descriptions	
(IV) Social Topic				
1. Has the company developed related management policies and procedures in accordance with applicable laws and regulations and the International Bill of Human Rights?	V		1. The Company has established its human rights policy in accordance with the International Bill of Human Rights and its personnel administration complies with requirements of the Labor Standards Act. There are also related Work Rules and operating procedures in place to protect the rights and benefits of employees on preferred terms. Such information is available on the Intranet of the Company so that employees are aware of their rights and benefits.	No major deviations.
2. Has the company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	V		2. Applicable rules and regulations governing employee welfare such as the Rules of Salaries Paid to Practitioners, Regulations Governing the Issuance of Rewards and Bonuses, Employee Benefits Regulations, and Regulations Governing Special Leave and Personal Leave are available at the Company to ensure that a sound employee welfare system is in place and bonuses are issued to employees reflective of operational performance for the current year.	No major deviations.
3. Does the company provide employees with a safe and healthy work environment as well as periodic safety and health education?	V		3. a) The Company has been certified by OHSAS18001 for its occupational safety and health management system and labor safety education and employee physical checkups are organized on a yearly basis to precisely safeguard safety and health of employees at work. b) Fire prevention drills and inspection of the healthy nature of group meals occur periodically each year. For tasks at risk of occupational hazards, for the same reason, complete protective equipment is provided.	No major deviations.
4. Has the company established an effective training program that helps employees develop skills over the course of their career?	V		4. The Company highly values talent and manpower development and by passing down experiences within the organization and the performance evaluation and rotation systems at work, it helps employees plan their personal career developments. Yungtay (China) has also developed its E-learning platform where employees have sufficient opportunities to take part in training and learning sessions inside and outside the Company.	No major deviations.
5. Does the company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' rights and consumer appeal procedures?	V		5. The Company markets and labels its products and services consistently in compliance with the government's laws and regulations and applicable industrial regulations.	No major deviations.

Assessed areas	Operational status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief descriptions	
6. Does the company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?		V	6. The contracts between the Company and its major suppliers are yet to include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause significant impacts on the environment and society but upon renewal or replacement of contracts, such clauses will be considered to be included.	They will be stipulated to reflect actual needs in the future.
(V) Does the company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquire 3rd certification party verification or statement of assurance?		V	The Company has not yet stipulated standards or guidelines according to the internationally accepted report, prepared corporate social responsibility report.	They will be stipulated to reflect actual needs in the future.
(VI) If the company has its own CSR principles established according to “the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the differences between its implementation and the principles : The Company has not established its own CSR principles established according to “the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” at the moment.				
(VII) Other Important Information to Help Understand Utilization of Corporate Social Responsibilities : The Company is proactively devoting to doing something for the Earth. It is constantly developing energy-saving products. Besides adopting LED energy-saving lighting systems for new manufacturing facilities, it is also replacing existing lights to high performance energy-saving ones, evaluating the possibility of upgrading or replacing existing air-conditioning servers. In addition, the effort to communicate information on energy-saving and recycling of resources to employees is being reinforced so that green energy and carbon reduction can reach out to every household. For water and noise pollutions resulting from manufacturing processes, on the other hand, workplace testing and water quality inspections are performed by organizations approved by the competent authority on a yearly basis and facilities to help reinforce the control and prevention of pollution are being added each year.				

**(6) Ethical corporate management Status and deviations from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons**

Assessed areas	Operational status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief descriptions	
(I) Establishment of ethical corporate management policy and proposal  1. Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?		V	1. In order to form a corporate culture featuring ethical operations and to reinforce its corporate governance, “the Company has the Behavioral Guidelines for Directors and Managers”, “the Employee Code of Conduct”, “the Ethical Management Principles” , and "Procedures for Ethical Management and Guidelines for Conduct" in place and has put its ethical management policies into force.	No major deviations.

Assessed areas	Operational status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief descriptions	
2. Has the company adopted appropriate precautionary measures for operations at a higher risk of unethical conducts indicated in Article 7 Paragraph 2 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” or within its scope of business?	V		2. The Company has already specified respective matters indicated in Article 7 Paragraph 2 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” in Article 7 of its Ethical Management Principles and Procedures for Ethical Management and Guidelines for Conduct, and has established operating procedures or adopting other measures such as daily communication and terms and conditions in contracts in order to prevent against unethical behavior in business operations at a higher risk.	No major deviations.
3. Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?	V		3. “The Ethical Management Principles” established by the Company already specify details of unethical behavior, the handling procedure, and the disciplinary and complaint-filing systems available in cases of violations, and “Procedures for Ethical Management and Guidelines for Conduct” was added. In addition, “the Employee Code of Conduct” is meant to prevent against unethical behavior and specifies that employees may not accept treatments, gifts, rebates or embezzle public funds or seek unlawful interests applying their power at work. There are also legal affairs and audit units to consolidate legitimacy of operational activities, the supervisory mechanism, and risk management in all respects, and periodically reviews and revises the relevant prevention policies by the responsible agency.	No major deviations.
(II) Consolidation of ethical corporate management				
1. Has the company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?	V		1. The Company conducts business activities in a fair and transparent way. Before starting a business relationship, it takes into consideration the legitimacy and history of unethical conducts of the counterpart and evaluates the counterpart on related risks according to the transaction history. The contract entered into also specifies behavioral criteria and penalties in cases of violations that shall be followed by both parties.	No major deviations.
2. Whether the company has set up a unit which is dedicated to promoting the company’s ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?	V		2. The dedicated unit under the Board of Directors is responsible for inspecting if unethical management has occurred and periodically reporting to the Board of Directors on the status.	No major deviations.

Assessed areas	Operational status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief descriptions	
3. Has the company established policies to prevent against conflicts of interest, provided appropriate channels for filing related complaints and implemented the policies accordingly?	V		3. The Company has a sound internal audit system, a periodic inspection system, and mechanisms for receiving stated opinions, communication, and risk management in place to maintain an effectively operative internal control system, to prevent against conflicts of interest, and to facilitate effective communications.	No major deviations.
4. To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?	V		4. There are internal procedures available for handling major information. Directors, managers, and people processing important information are asked to sign the confidentiality agreement and are included as part of the Company's internal control system to be periodically inspected by internal auditors.	No major deviations.
5. Does the company hold internal and external educational trainings on ethical management regularly?	V		5. The Company periodically states the Employee Code of Conduct, the corporate culture, and the Company's management principles during the pre-service training sessions and workshops for new hires and communicates its belief in ethical management on the Company's website.	No major deviations.
(III) Reporting System of the Company				
1. Does the company have substantial reporting and incentive systems in place, provide convenient reporting channels, and assign appropriate specialists investigate reported matters?	V		1. Employees can report any conduct in illegal and violation of ethical requirements and breach of Integrity Regulations through the Audit Office and Legal Affairs Division or other means such as email. The Audit Office is responsible for handling conduct in illegal and violation of ethical requirements; The Legal Affairs Division is responsible for handling breach of Integrity Regulations.	No major deviations.
2. Whether the company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?	V		2. The Company has already established the "Regulations for Reporting illegal and Unethical Behavior" and "Procedures for Ethical Management and Guidelines for Conduct" that cover the standard operating procedure for investigating reported matters and related confidentiality mechanisms. The Audit Office and Legal Affairs Division handles reported matters and will keep the identity and information of the reporter confidential. Yungtay (China) provides its external mailbox on its website. Reported matters can reach the general manager directly or can be sent directly to the general manager in a written mail. after that, reported matters will be assigned, investigated, and verified.	No major deviations.
3. Does the company assure	V		3. The Audit Office and Legal Affairs	No major deviations.



Assessed areas	Operational status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief descriptions	
employees who reported on malpractices that they will not be improperly treated for making such reports?			Division will keep reported matters confidential and assign specialists to handle them so that the reporter will not be treated improperly because of the report.	
(IV) Reinforced Information Disclosure Has the company disclosed information regarding its ethical corporate management principles and implementation status on its website and the MOPS?			The Company discloses its management belief based on the ethical principle and releases its complete “the Ethical Management Principles” on its website and the MOPS.	No major deviations.
(V) If the company has its own Ethical Management Principles established according to “the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the differences between its implementation and the principles : The Company has already established its Ethical Management Principles according to “the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and applied the underlying elements to its internal control system and related operating procedures. The practical operations do not deviate from what is described in the Principles.				
(VI) Other important information that helps understand the implementation of ethical corporate management of the company: (e.g. discussion and correction of the Ethical Management Principles established by the company) : 1. Before each of its new products is released to the market, the company has the ethical corporate management provisions included in the company’s standard contracts for elevator sales, installation, and maintenance services; the Company evaluates its parts and components and the product as a whole and obtains respective relevant qualification certificates in order to consolidate ethical management. 2. When organizing purchases, the Company must find multiple suppliers and compare their quotations. Meanwhile, reinforced efforts are made to communicate the importance of moral conduct to procurement staff and procurement tasks are adjusted from time to time as needed. 3. The Company does business with its partners in compliance with required procedures and related units inspect related operations periodically.				

**(7) How they may be found shall be disclosed if the company has established Corporate Governance Principles and related regulations :**

The Company has established its Corporate Governance Principles according to “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and follows regulatory requirements in all of its operations, with related rules such as the Behavioral Guidelines for Directors and Managers, the Code of Moral Conduct, the Employee Code of Conduct, the Ethical Management Principles, the Guidelines for Electing Board Directors, the Regulations for Independent Directors to Exercise Their Duties, and the Remuneration Committee Charter in place. Please visit the MOPS or the Company’s website ([www.yungtay.com.tw](http://www.yungtay.com.tw)).

**(8) Other important information that is sufficient to boost knowledge of corporate governance**

- The Company and its financial information is transparent. The status of related people in obtaining relevant certifications as required by the competent authority is as follows:
  - International internal auditors : 1 at the main management office of Yungtay (China).
  - Domestic internal auditors (within the ROC) : 1 at the management division, 1 at the engineering division, and 1 at the main management office of Yungtay (China).
  - ROC CPAs : 1 at the management division , 1 at the audit division.

## 2. Status of continuing education sought by managers in 2020 :

Title	Name	Duration of continuing education		Organizer	Course title	Hours involved
		Start	End			
Assistant Vice President	Yu Hsiang Lin	109/03/20	109/03/20	Taiwan Corporate Governance Association	Corporate Tax Governance Strategies and Responses under the Trend of Cross-National Information Exchange	3.0
		109/04/24	109/04/24		Effectiveness of Board Operations and Decision Making	3.0
		109/05/22	109/05/22		Protection of Trade Secrets and Prohibition of Competition	3.0
		109/06/05	109/06/05		Corporate Governance and Securities Regulation	3.0
		109/06/19	109/06/19		Corporate Financial Statement Fraud Case Study	3.0
		109/07/14	109/07/14		Intelligent Property Management from the Board of Directors' Perspective	3.0
		109/10/30	109/10/30		How the audit committee implements the financial statement review	3.0
		109/12/11	109/12/11		Mergers and Acquisitions Review and Directors' Responsibilities	3.0
Assistant Vice President	Hsun Chi Chang	109/01/16	109/01/16	Taiwan Shilin District Prosecutors Office	Basic concepts of corporate law	6.0
		109/02/12	109/02/12	Shinda Enterprise Management Consultants Limited	Non-financial personnel should know 30 financial common sense	6.0
Accounting Manager	Wei Chuan Wang	109/06/30	109/06/30	Securities and Futures Institute	New Issues in Transfer Pricing Taxation for Multinational Enterprises	3.0
		109/07/24	109/07/24		Practical Workshop on Preparation of Consolidated Financial Statements (Self-prepared consolidated financial statements)	3.0
		109/08/13	109/08/13		Financial Reporting Malpractice and Criminal Liability of Financial Officers	3.0
		109/08/21	109/08/21		IFRS 16 "Taxes" Analysis	3.0
Finance Manager	Jui Hsun Chang	109/01/16	109/01/16	Taiwan Shilin District Prosecutors Office	Basic concepts of corporate law	6.0
		109/02/12	109/02/12	Shinda Enterprise Management Consultants Limited	Non-financial personnel should know 30 financial common sense	6.0
Audit Manager	Shang Wei Hung	109/08/07	109/08/07	China Industrial & Commercial Research Institute	Legal and Auditing Practices for Internal Control of Business Secrets	6.0
		109/09/11	109/09/11	ACFE Taiwan Chapter	Artificial Intelligence and Internal Audit Conversation	3.0
		109/10/14	109/10/14	The Institute of Internal Auditors - Chinese Taiwan	How to Detect Hidden Fraud Signs and Case Studies	6.0
		109/10/16	109/10/16		Introduction to the Code of Conduct for Integrity and ISO 37001 Implementation Practices	6.0
		109/10/26	109/10/26		Manufacturing Material System Audit Practice	6.0
		109/12/22	109/12/22	ACFE Taiwan Chapter	Example of procurement fraud	3.0

## (9) Implementation status of the internal control system

1. Internal Control System Statement: See the page below.
2. When a CPA is authorized to review the internal control system, the Review Report prepared by the CPA shall be disclosed: Not applicable.

Yungtay Engineering Co., Ltd.  
Internal Control System Statement



Date : March 26, 2021

For the Company's internal control system of 2020, we would like to declare as follows according to the results of spontaneous inspections:

1. The Company knows that establishing, enforcing, and maintaining an internal control system is the responsibility of the Company's Board of Directors and managers and has such a system in place already. It is meant to reasonably ensure fulfillment of the operational efficacy and efficiency (including profits, performance, and protection of asset security), reliability, timeliness, and transparency of reports, and compliance with applicable laws and regulations, among other goals.
2. The internal control system has its inherited restrictions that cannot be overcome with improved design. An effective internal control system can also only reasonably ensure the fulfillment of the three goals stated above and its effectiveness may change as the environment or situation changes. There is a self-surveillance mechanism, however, it is the fact that it is built inside the internal control system of the Company that helps the Company take a corrective action against deficiencies confirmed.
3. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The items adopted in the Governing Regulations for determining the internal control system are the five constitutional elements of the internal control system divided according to the management and control process:  
1. control environment, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each element further encompasses several items. Please refer to "Governing Regulations" for details.
4. The Company has adopted the above-mentioned determining items and evaluated the design and effectiveness of its internal control system.
5. Pursuant to the results of the above-mentioned evaluations, the Company is of the view that the design and implementation of its internal control system as of December 31, 2020 (including its supervision and management of subsidiaries), including its awareness of the extent by which the operating effects and efficiency goals are fulfilled, reliability of reports, and compliance with relevant laws and regulations, are such that it is effective and capable of reasonably ensuring that the aforementioned goals can be achieved.
6. This Statement constitutes a major part of the Company's Annual Report and the Company's Prospectus that are made available to the public. The Company shall be legally liable under Articles 20, 32, 171 and 174 of the Securities and Exchange Act with respect to any unlawful aspects such as falsehood or concealment of facts in relation to the aforesaid published contents.
7. This Statement was approved at the meeting of the Company's Board of Directors on March 26, 2021 with no directors expressing dissent out of the 7 Directors in attendance.

Yungtay Engineering Co., Ltd.

Chairman : Makoto Nagashima

General Manager : Shang Yu Tsai



**(10) Any legal sanctions against the Company or its internal personnel, or any disciplinary action taken by the Company against its own personnel for violating internal control requirements, in the most recent year up to the date the Annual Report was printed, main shortcomings and improvements : None.**

**(11) Important decisions reached in shareholders' meetings and made by the Board of Directors in the most recent year up to the date the Annual Report was printed.**

Board of Directors/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
No. 8 of the 19 <sup>th</sup> Board of Directors meeting	2020/03/25	<ol style="list-style-type: none"> <li>1. Approving the 2019 annual business report and financial statements.</li> <li>2. The 2019 earnings distribution proposal.</li> <li>3. Determining distribution of 2019 remunerations for employees and directors.</li> <li>4. Approving the 2019 Internal Control System Statement.</li> <li>5. Determining the time and venue of the 2020 annual shareholders' meeting.</li> <li>6. Determining the cause or subjects for convening the 2020 annual shareholders' meeting.</li> <li>7. Evaluating the independence of CPAs and the appointment and remuneration of CPAs.</li> <li>8. Approving the amendment to "Rules of Procedure for Shareholders' Meeting" of the Company.</li> <li>9. Approving the amendment to "Rules and Procedures of Board of Directors Meetings" of the Company.</li> <li>10. Approving the amendment to "Audit Committee Charter" of the Company.</li> <li>11. Approving the amendment to "Remuneration Committee Charter" of the Company.</li> <li>12. Approving the amendment to regulations governing the "Internal Control System" and "Internal Audit Implementation Rules" of the Company.</li> <li>13. Approving the amendment to "The 2020 Internal Audit Plan" of the Company.</li> </ol>	<ol style="list-style-type: none"> <li>1. It will be brought forth in the shareholders' meeting on June 18, 2020 and endorsed accordingly.</li> <li>2. Resolved to postpone the discussion until the next meeting.</li> <li>3. It was approved that remunerations to be paid in cash to employees and directors for 2019 will be NT\$45,354,153 and NT\$5,039,350, respectively ; the distribution ratio was 3.60% and 0.40%, respectively.</li> <li>4. The Internal Control Statement was already submitted to the FSC and will be published in the 2019 Annual Report.</li> <li>5. The 2020 annual shareholders' meeting will be held on June 18, 2020.</li> <li>6. Cause or subjects for convening the annual shareholders' meeting were announced in the Market Observation Post System.</li> <li>7. Evaluation outcome : Independence is fulfilled. It was approved.</li> <li>8. It will be brought forth in the shareholders' meeting on June 18, 2020 for a decision.</li> <li>9. It will be brought forth the shareholders' meeting on June 18, 2020 for a report.</li> <li>10. It was announced in the MOPS and on the Company's website.</li> <li>11. It was announced in the MOPS and on the Company's website.</li> <li>12. The revised internal control system were enforced.</li> <li>13. The revised Internal Audit Plan is being enforced.</li> </ol>

Board of Directors/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
		14. Approving the addition to “Procedures for Ethical Management and Guidelines for Conduct” of the Company. 15. The amendment to “Regulations Governing Compensation for Directors and Managers” and the addition to “Professional Executive Compensation Management Rules” of the Company. 16. The amendment to “The Approval Authority Table” of the Company. 17. Approving the appointment, dismissal and remuneration of the factory director of elevator production division. 18. The remuneration of managers of the Company.	14. “Procedures for Ethical Management and Guidelines for Conduct” will be brought forth the shareholders’ meeting on June 18, 2020 for a report. 15. Resolved to postpone the discussion until the next meeting. 16. Resolved to postpone the discussion. 17. It was enforced according to the decision. 18. Resolved to postpone the discussion until the next meeting.
No. 9 of the 19 <sup>th</sup> Board of Directors meeting	2020/04/15	1. 2019 earnings distribution proposal.	1. The resolution of the Board of Directors was not passed.
No. 10 of the 19 <sup>th</sup> Board of Directors meeting	2020/04/28	1. Determining the 2019 earnings distribution proposal. 2. Shareholder Hezhu Investment Ltd. proposed "The 2019 earnings distribution of NT\$2.2 in cash dividend per share proposal". 3. Shareholder Nenghung Investment Holding Co., Ltd. proposed "Waiver of the non-competition restriction on directors proposal". 4. The amendment to the cause or subjects for convening the 2020 annual shareholders’ meeting.	1. It was approved that the cash dividend per share for 2019 was \$2.2 and the proposal will be brought forth in the shareholders’ meeting on June 18, 2020. 2. The shareholder proposal met the statutory qualification requirements and the resolution was passed. 3. Resolved to postpone the discussion until the next meeting. 4. Resolved to postpone the discussion until the next meeting.
No. 11 of the 19 <sup>th</sup> Board of Directors meeting	2020/05/07	1. Shareholder Hezhu Investment Ltd. proposed "The 2019 earnings distribution of NT\$2.2 in cash dividend per share proposal". 2. Shareholder Nenghung Investment Holding Co., Ltd. proposed "Waiver of the non-competition restriction on directors proposal". 3. The amendment to the cause or subjects for convening the 2020 annual shareholders’ meeting. 4. Approving the amendment to “Regulations Governing Compensation for Directors and Managers” of the Company. 5. Approving the remuneration of managers of the Company. 6. Approving the amendment to “Corporate Governance Best Practice Principles” of the Company.	1. The shareholder withdrew the proposal and the Board of Directors passed without objection. 2. The shareholder withdrew the proposal and the Board of Directors passed without objection. 3. The shareholders withdrew their proposals, and therefore it was no need to amend the cause or subjects for convening the 2020 annual shareholders’ meeting. 6. It was announced in the MOPS and on the Company’s website.

Board of Directors/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
		7. Approving the amendment to "Regulations Governing the Internal Controls of Shareholder Service Units" of the Company. 8. Approving financing limits.	7. The revised internal control system were enforced. 8. The contract over the financing limits will be renewed in succession.
2020 Shareholders' meeting	2020/06/18	1. Ratification of 2019 financial statements. 2. Ratification of 2019 earnings distribution proposal. 3. Approving the amendment to "Rules of Procedure for Shareholders' Meeting".	1. It was approved. 2. It was approved that the cash dividend of NT\$2.2 per share for 2019 would be issued. July 14, 2020 was set to be the ex-dividend base date by Board of Directors and cash dividends were issued on July 28, 2020. 3. It was approved, and was announced on the Company's website.
No. 12 of the 19 <sup>th</sup> Board of Directors meeting	2020/06/18	1. Determining this year's ex-dividend base date and issuance date.	1. It was determined that July 14, 2020 would be the ex-dividend base date and cash dividends were issued on July 28, 2020.
No. 13 of the 19 <sup>th</sup> Board of Directors meeting	2020/08/06	1. Approving the amendment to "Regulations Governing Compensation for Directors and Managers" of the Company. 2. Approving the amendment to "Professional Executive Compensation Management Rules" of the Company. 3. Approving the appointment, dismissal and remuneration of the Manager of Audit division. 4. Approving the amendment to "Rules of Procedure for Shareholders' Meeting" of the Company. 5. Approving the amendment to "Rules and Procedures of Board of Directors Meetings" of the Company.	1. It was approved, and independent director Fu Hsiung Huang expressed objection. The Company published material information in accordance with regulations. 2. It was approved, and independent director Fu Hsiung Huang expressed objection. The Company published material information in accordance with regulations. 3. It was already declared with the competent authority and announced. 4. It will be brought forth in the shareholders' meeting on June 21, 2021 for a decision. 5. It will be brought forth the shareholders' meeting on June 21, 2021 for a report.
No. 14 of the 19 <sup>th</sup> Board of Directors meeting	2020/11/05	1. Approving the amendment to "Audit Committee Charter" of the Company. 2. Approving the amendment to "The Method by Independent Directors Exercise their Functions and Powers" of the Company. 3. Approving the amendment to "Remuneration Committee Charter" of the Company. 4. Approving the amendment to "The Method for evaluating the performance of the Yungtay Board of Directors" of the Company.	1. It was announced on the Company's website. 2. It was announced on the Company's website. 3. It was announced on the Company's website. 4. This law is intended to be implemented in 2021.
No. 15 of the 19 <sup>th</sup> Board of Directors meeting	2020/12/07	1. Approving the 2021 Annual Business Operation Plan. 2. Approving the 2020 Audit Plan.	1. The approved 2021 Budget Proposal is being enforced. 2. The approved Audit Plan is being enforced.

Board of Directors/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
		3. Approving the 2020 donations to related party. 4. Approving the transactions of related party. 5. Approving the amendment to “Integrity Management Committee Organizational Procedures” of the Company.	3. The donations have been processed in accordance with the resolution. 4. It was enforced according to the decision. 5. This regulation is intended to be implemented in 2021.
No. 16 of the 19 <sup>th</sup> Board of Directors meeting	2021/03/26	1. Appointment of members of the Remuneration Committee  2. Approving the 2020 annual business report and financial statements. 3. The 2020 earnings distribution proposal. 4. Determining distribution of 2020 remunerations for employees and directors. 5. The 2020 Internal Control System Statement. 6. Determining the time and venue of the 2021 annual shareholders’ meeting. 7. Determining the cause or subjects for convening the 2021 annual shareholders’ meeting. 8. Evaluating the independence of CPAs and the appointment and remuneration of CPAs. 9. The amendment to “Rules of Procedure for Shareholders’ Meeting” of the Company. 10. Ratification of the transactions of related party. 11. Recommend the chairman of Board of Directors 12. Appointment of the chairman and General Manager of Yungtay(China).	1. The members of the 5 <sup>th</sup> Remuneration Committee are served by independent director Fu Hsiung Huang, independent director Chih Hung Hsieh and independent director Li Hsiu Chen. 2. It will be brought forth in the shareholders’ meeting on June 21, 2021 for an admitted. 3. Resolved to postpone the discussion until the next meeting. 4. Resolved to postpone the discussion until the next meeting. 5. The Internal Control Statement was already submitted to the FSC and will be published in the 2020 Annual Report. 6. The 2021 annual shareholders’ meeting will be held on June 21, 2021. 7. Cause or subjects for convening the annual shareholders’ meeting were announced in the Market Observation Post System. 8. Evaluation outcome : Independence is fulfilled. It was approved. 9. It will be brought forth in the shareholders’ meeting on June 21, 2021 for a decision. 10. It was enforced according to the decision. 11. Hitachi, Ltd.Representative Makoto Nagashima is elected as the chairman. 12. The chairman Makoto Nagashima is elected as the chairman of Yungtay(China), Yoshitake Kanehara is elected as the general manager of Yungtay(China).
No. 17 of the 19 <sup>th</sup> Board of Directors meeting	2021/04/07	1. The 2020 earnings distribution proposal.  2. Determining distribution of 2020 remunerations for employees and directors.  3. Appointment of Vice General Manager.	1. It was approved that the cash dividend per share for 2020 was \$1.9 and the proposal will be brought forth in the shareholders’ meeting on June 21, 2021. 2. It was approved that remunerations to be paid in cash to employees and directors for 2020 will be NT\$48,994,462 and NT\$5,443,829, respectively ; the distribution ratio was 3.74% and 0.42%, respectively. 3. Resolved to postpone the discussion until the next meeting.

Board of Directors/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
No. 18 of the 19 <sup>th</sup> Board of Directors meeting	2021/05/11	<ol style="list-style-type: none"> <li>1. Appointment and remuneration of Vice General Manager.</li> <li>2. Lift the part-time or non-competition clauses restrictions on the directors, corporate shareholders with its representative elected as the directors of the company, and managers.</li> <li>3. Amendment to the cause or subjects for convening the 2021 annual shareholders' meeting.</li> <li>4. It is resolved to approve the extension of the credit amount granted by the financial institutions to the company.</li> <li>5. Approving the amendment to Standards for the Internal Control Systems of Shareholder Services Units.</li> <li>6. Appointment recognition and remuneration of the corporate governance officer.</li> </ol>	<ol style="list-style-type: none"> <li>1. Resolved to postpone the discussion until the next meeting.</li> <li>2. It was approved.</li> <li>3. It was approved.</li> <li>4. The contract over the financing limits will be renewed in succession.</li> <li>5. The revised Standards for the Internal Control Systems of Shareholder Services Units was enforced.</li> <li>6. Resolved to postpone the discussion until the next meeting.</li> </ol>

**(12) Main contents of different opinions of directors that are recorded and stated in writing on important decisions made by the Board of Directors in the most recent year and up to the date the Annual Report was printed :**

1. 2020/04/15 (No. 9 of the 19<sup>th</sup> Board of Directors Meeting) Independent director Fu Hsiung Huang expressed reservation to the 2019 earnings distribution proposal.  
The opinion of independent director Fu Hsiung Huang :
  - (1) In order to extend the observation period for the impacts of the COVID-19 outbreak on the Company's operations, the previous Board of Directors' meeting was already decided to be postponed to the end of April or early May. By then, hopefully there will be sufficient information for the Board of Directors to evaluate and make a decision.
  - (2) Even if the volume and value to be distributed are decided during this meeting, small shareholders can still propose different versions.
  - (3) If small shareholders do submit proposals on the volume and value of dividends to be distributed, it shall be sufficient to serve as reference while the Board of Directors makes a decision over the distribution of dividends. The Board of Directors' resolution does not conflict with the right of shareholders to make proposals as indicated in Article 172-1 of the Company Act. They may be done according to respective laws and can even be mutually complementary. We believe that shareholders and the Board of Directors alike are making rational proposals taking into consideration of the overall interest of all shareholders. As for how the shareholders will resolve the different proposals for the same matter, it is within the scope of corporate governance. The Company naturally will make proper arrangements.
2. 2020/04/28 (No. 10 of the 19<sup>th</sup> Board of Directors Meeting) Independent director Fu Hsiung Huang expressed reservation to the 2019 earnings distribution proposal.  
The opinion of independent director Fu Hsiung Huang :
  - (1) For caution's sake, it is recommended to extend the observation of the impact of the COVID-19 epidemic on the Company's operations within the legally permitted time frame. This will give the board more time to gather sufficient information for discussions, assessments, and adoption of a resolution in the board meeting scheduled for May 7 and thereby place equal emphasis on the rights and interests of the Company and all its shareholders.
  - (2) The original proposal recommended a cash dividend of NT\$ 2.4 per share. This amount was revised downward to NT\$ 2.1 per share by the management team and then upward to NT\$ 2.2 per



share in said meeting based on a motion by a shareholder with holdings of 1% or more. However, the board of directors should actively assess each proposal to ensure stable operations based on a full consideration of all factors instead of passively going along with proposals. The board should further clearly express its stance to fulfill its responsibility and give shareholders a clear understanding of its position. It seems therefore more appropriate to adopt another resolution upon discussion in the upcoming board meeting on May 7. This does not necessarily involve a downward revision of the original proposal.

- (3) The motion regarding dividend distribution moved by a shareholder with holdings in excess of 1% is based on the same facts as this proposal. What resolution is adopted by the shareholders after deliberation in the convened meeting? This matter lies within the scope of corporate governance. The Company must therefore make adequate arrangements to ensure inclusion in the shareholders' meeting agenda pursuant to relevant laws and handling in a lawful and orderly manner.

3. 2020/05/07 (No. 11 of the 19th Board of Directors Meeting) Independent director Fu Hsiung Huang expressed reservation to the amendment of "Regulations Governing Compensation for Directors and Managers" of the Company.

The opinion of independent director Fu Hsiung Huang :

- (1) The remunerations for managers shall fully reflect the performance and contributions. Therefore, if related mechanisms are reasonably adjusted or the deficiency of the existing system is resolved to fulfill the above-mentioned purpose and to accordingly exercise the effect of encouraging outstanding staff, they shall be supported.
- (2) For the revisions made to the Regulations Governing Compensation for Directors and Managers as proposed by the Company's management, the Company failed to specify the issues to be addressed passively or the efficacy to be fulfilled proactively. Therefore, it is hard to recognize the necessity of the revisions. The adjustment of the compensation brackets, for example, lacks defined evaluation criteria in terms of the considerations and the objectives. This is particularly true when it comes to the upper limit of the adjustment.
- (3) Despite the salary survey report provided by an external unit and the fact that the consolidated financial statement from Mainland China is included as the evaluation bases, a majority of business or products of the subsidiary company in Mainland China differ from the Company and so is the scope of sampling involved. And how are the revenue and gains or losses in Mainland China relevant to the operational performance evaluation of the Company's directors and managers is not specified, either. For example: Are managers of the Company also in charge of running the subsidiaries in Mainland China? Were the compensations for the managers adjusted accordingly in the past when subsidiaries in Mainland China suffered operational deficits?
- (4) Despite the fact that we respect the individual salary adjustments for managers delegated by the Company, the adjustments are based on the requirement under Paragraph (1) after the revisions. For consistency reasons, the same stance applies also to the substantial personnel compensation proposal.

4. 2020/08/06 (No. 13 of the 19th Board of Directors Meeting) Independent director Fu Hsiung Huang expressed objection to the amendment of "Regulations Governing Compensation for Directors and Managers" of the Company.

The opinion of independent director Fu Hsiung Huang :

- (1) The basis for the sampling and assessment of the standard annual salaries of directors and managerial officers shall be improved for greater precision in order to provide sufficient information to subsequent Board of Directors' meetings to perform assessment and resolution
- (2) The standard annual salaries of the Chairman and President are based on the consolidated financial statements of the Group; however, the levels of participation of the Chairman and the President in the Group are not clearly defined. It might not be appropriate to directly use the consolidated financial statements as the measurement basis. In addition, the "Professional Executive Compensation Management Rules" of the Company adopts a different standard, and the difference in such benefits have not been explained reasonably.
- (3) The reasonable basis for the standard annual salaries classified into four grades is not explained clearly. For example, regarding the minimum grade basic salary for President, if it is measured according to the standard adopted in the same industry provided, it may not be sufficient to hire the desired talent for the Company.

- (4) The salary grades for the Chairman and the President of the Company adopt the requirements of the old system; however, it is recommended to consider the current status and system for further review on such salary grades.
  - (5) The reason of the present amendment has not been explained, and the difference from the previous rules is yet to be clarified.
5. 2020/08/06 (No. 13 of the 19th Board of Directors Meeting) Independent director Fu Hsiung Huang expressed objection to the amendment of “Professional Executive Compensation Management Rules” of the Company.
- The opinion of independent director Fu Hsiung Huang :
- (1) The definition and application of “professional supervisor” are unclear: According to Article 1 of these rules, “supervisor” refers to “a professional supervisor who is not a manager” that is subject to these rules; also, the “supervisor” is responsible for certain business management; however, “special assistant” is not included in the definition of “supervisor.” It is inappropriate to include “special assistant” in the definition of “supervisor” in Article 4 of these Rules.
  - (2) The duties of the “special assistant” are unclear: Generally, “special assistants” are to perform tasks assigned by senior executives, provide assistance in analysis and decision-making, and promote projects. However, the establishment and classification of such a position, including the relevant job responsibility, are not described in these Rules.
  - (3) The respective remuneration standards of the “supervisors” and “non-supervisors who are senior or professional personnel” shall be formulated accordingly.
6. 2021/04/07 (No. 17 of the 19th Board of Directors Meeting) Independent director Li Hsiu Chen expressed reservation to “The 2019 earnings distribution proposal” of the Company.
- The opinion of independent director Li Hsiu Chen :
- (1) From the perspective of minority shareholders, the cash dividend and bonus for NT\$1.9 per share, in this case, is low.
  - (2) The accumulated funds available to Yungtay should be sufficient.
  - (3) It is suggested to distribute at least NT\$2.0 per share in cash since there is not a specific expansion plan ready.

**(13) Summary of resignations and dismissals of the Company's chairman, general managers, and heads of accounting, financial, internal audit, corporate governance officer and R&D in the most recent year and up to the date the Annual Report was printed:**

Title	Name	Date of inauguration	Date of dismissal	Reason for resignation or dismissal
Chairman	Tso Ming Hsu	2019/05/03	2021/03/26	Personal Career Planning
Heads of Audit	Ting Hsuan Yeh	2014/03/20	2020/08/31	Position adjustment
Heads of Corporate Governance	Yu Hsiang Lin	2019/09/16	2021/04/06	Resignation

**(IV) Public Expenditure on CPAs**

1. When the non-audit public expenditure paid to CPAs, their firms, and their associated enterprises accounts for more than one-fourth of the audit public expenditure, the values of both audit and non-audit public expenditures and contents of non-audit services shall be disclosed : None.
2. When the accounting firm is changed and the audit public expenditure in the year of replacement is reduced compared to that in the preceding year, the audit public expenditures before and after the replacement and the reasons shall be disclosed : None.
3. When the audit public expenditure is reduced by more than 10% from the preceding year, the value reduced and its ratio and cause shall be disclosed : None.

Name of accounting firm	Name of CPA	Audit public expenditure	Non-audit public expenditure					CPA Inspection period	Remark
			System design	Business registration	Human resources	Other (Note)	Subtotal		
Jiang Sheng & Co., CPAs.	Sheng Ping Lin	5,010	0	40	0	500	540	2020/01/01 ~ 2020/12/31	
	Jen Chi Chen								

Note: The non-audit public expenditure shall be listed separately by the service item. When "Other" of non-audit public expenditure reaches 25% of the total value of non-audit public expenditure, contents of the service shall be listed in the remark column : Transfer Pricing Report.

**(V) Information on Replacement of Accountants**

No CPAs have were replaced over the past two (2) years and afterwards. Therefore, this is not applicable.

**(VI) Positions held in the firm that the CPA works for or its associated enterprises in the most recent year by the Chairman, the general manager, and managers in charge of financial or accounting affairs : None.**

**(VII) Changes in the equity of directors, managers, and major shareholders**

Title	Name	2020		As of April 23 of the year	
		Increase/ decrease in the number of shares held	Increase/ decrease in the number of shares pledged	Increase/ decrease in the number of shares held	Increase/ decrease in the number of shares pledged
Director	Hitachi, Ltd.	None	None	None	None
Representative of juristic-person director	Makoto Nagashima	None	None	None	None
Director	Tso Ming Hsu	None	None	None	None
Director	Ray Chun Su (Resigned in April 2020)	None	None	None	None
Director	Fong Chieh Tsai	None	None	1,184	None
Director	Chao Ching Hsu	None	None	None	None
Director	UT Park View, Inc. (HSBC bank trust account) (Resigned in January 2020)	—	—	—	—
Representative of juristic-person director	Wei Tsung Chang (Resigned in January 2020)	—	—	—	—
Independent Director	Fu Hsiung Huang	None	None	None	None
Independent Director	Shih Yang Chen (Dismissed in February 2021)	None	None	None	None
Independent Director	Li Hsiu Chen	None	None	None	None
Independent Director	Chih Hung Hsieh (New appointment in February 2021)	None	None	None	None
General Manager	Shang Yu Tsai	25,000	None	None	None
Building System Vice General Manager	Chung Wen Wang	None	None	None	None
Administration Division Assistant Vice President	Tung Sheng Lin	None	None	None	None
Elevator Production Assistant Vice President	Chen Kuan Chiang (Dismissed in March 2020)	None	None	—	—
Elevator Production Assistant Vice President	Hsun Chi Chang	None	None	None	None

Title	Name	2020		As of April 23 of the year	
		Increase/ decrease in the number of shares held	Increase/ decrease in the number of shares pledged	Increase/ decrease in the number of shares held	Increase/ decrease in the number of shares pledged
Advanced Technology Office Assistant Vice President	Ming Chu Chen (Dismissed in April 2020 )	None	None	None	None
Research and Development Assistant Vice President	Wen Chieh He	None	None	None	None
Elevator Business Assistant Vice President	Chieh Jen Chang	None	None	None	None
Accounting Manager	Wei Chuan Wang	None	None	None	None
Financial Manager	Jui Hsun Chang	None	None	None	None
Major Shareholder	Herzu Investment Ltd.	1,150,000	10,800,000	None	None
Major Shareholder	Hitachi Elevator Taiwan Co., Ltd.	48,178,000	None	25,117,000	None
Major Shareholder	Jia Hong Lin	2,115,000	1,300,000	None	None

Note 1 : The counterparties in the transfer or pledge of equity are not stakeholders.

Note 2 : The re-election of the 19<sup>th</sup> directors has been completed in advance in the first extraordinary shareholders' meeting on February 2, 2021, and the term of office is from February 8, 2021 to April 17, 2022, and Chih Hung Hsieh is elected as independent director. The company's board of directors elected the new Chairman Makoto Nagashima, who is Corporate represented of Hitachi, Ltd on March 26, 2021. The 18<sup>th</sup> Board of Directors' independent director Shih Yang Chen were dismissed after the first extraordinary shareholders' meeting on February 8, 2020.

**(VIII) Information of relationship among Top 10 shareholders who are related, spouses, or relatives within the second degree of kinship of each other**

April 23, 2021

Name (Note 1)	Personal shares		Spouse or minor child-owned shares		Total shares held in other people's names		The title or name and relationship among shareholders in the Top shareholding list who are related, spouse to each other, or relatives within the second degree of kinship (Note 3)		Notes
	Quantity	Ratio	Quantity	Ratio	Quantity	Ratio	Name	Relationship	
Hitachi Elevator Taiwan Co., Ltd. Representative: Yoshitake Kanehara	187,704,932	45.69	0	0%	0	0%	Hitachi, Ltd.	Parent company	
Herzu Investment Ltd.	67,643,428	16.47	0	0%	0	0%	None	None	
Hitachi, Ltd. Representative: President Toshiaki Higashihara	31,817,168	7.74%	0	0%	0	0%	Hitachi Building Systems	Subsidiary	
Hitachi Building Systems Co., Ltd. Representative: President Mitutomi Shinya	15,908,571	3.87%	0	0%	0	0%	Hitachi, Ltd.	Parent company	
Nenghung Investment Holding Co., Ltd.	15,500,000	3.77%	0	0%	0	0%	None	None	
First Securities (HK) Nominee Limited	4,983,000	1.21%	0	0%	0	0%	None	None	
Jia Hong Lin	3,475,000	0.85%	0	0%	68,996,428	16.79%	None	None	
Chien Hsin Trading Co., Ltd.	3,295,604	0.80%	0	0%	0	0%	None	None	
Kai Shin Investment Co., Ltd	2,989,126	0.73%	0	0%	0	0%	None	None	
Yungtay Social Welfare Foundation	2,890,730	0.70%	0	0%	0	0%	None	None	

Note 1: All of the Top 10 shareholders shall be listed. If they are institutional shareholders, the names of the institution and its representative shall both be listed.

Note 2: The shareholding ratio is calculated separately by the individual concerned, his/her spouse, minor child, or in another person's name.

Note 3: The shareholders listed in the foregoing include institutional entities and natural persons. The mutual relationships shall be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**(IX) Comprehensive shareholding ratio**

April 23, 2021

Unit : Share , %

Reinvested business (Note)	The Company		Directors, managers, and directly or indirectly controlled businesses		Combined	
	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio
Yungtay Engineering Ltd.	11,183,510	78.72%	3,022,570	21.28%	14,206,080	100.00%
Yungchun Capital, Inc.	8,500,000	100.00%	0	0%	8,500,000	100.00%
Yungtay-Hitachi Construction Machinery Co., Ltd.	6,528,000	51.00%	0	0%	6,528,000	51.00%
Evest Corporation	7,007,172	41.22%	25	0%	7,007,197	41.22%
Shang Ying Investment Co., Ltd.	33,500,000	100.00%	0	0%	33,500,000	100.00%

Note: Reinvested businesses of the Company where the equity method is applied.

## IV. Fund-raising

### (I) Capital and Shares

#### (1) Source of capital stock

Year/ Month	Issuing price	Approved capital stock		Paid-in capital stock		Notes		
		Quantity (thousand shares)	Value (thousand dollars)	Quantity (thousand shares)	Value (thousand dollars)	Capital Shares source	Share value written off by assets other than cash	Other
1966/7	1000	600	6000	600	6000	Original investment	—	—
1968/11	1000	1000	10000	1000	10000	Capital increase in cash	—	—
1973/6	1000	2000	20000	2000	20000	Capital increase in cash	—	—
1977/6	1000	2500	25000	2500	25000	Earnings transferred capital increase	—	—
1978/7	1000	4000	40000	4000	40000	Earnings and capital reserve transferred capital increase	—	—
1979/5	1000	5000	50000	5000	50000	Earnings transferred capital increase	—	—
1980/5	10	7000	70000	7000	70000	Earnings transferred capital increase	—	—
1981/8	10	10500	105000	10500	105000	Earnings transferred capital increase	—	—
1982/9	10	14700	147000	14700	147000	Earnings transferred capital increase	—	—
1983/1	10	19700	197000	19700	197000	Capital increase with capital reserve	—	—
1983/11	10	23640	236400	23640	236400	Earnings transferred capital increase	—	—
1984/9	10	28368	283680	28368	283680	Earnings transferred capital increase	—	—
1985/12	10	34042	340416	34042	340416	Earnings transferred capital increase	—	—
1986/10	10	37446	374458	37446	374458	Earnings transferred capital increase	—	—
1987/10	10	41190	411903	41190	411903	Earnings transferred capital increase	—	—
1988/12	10	50000	500000	50000	500000	Capital increase in cash and earnings transferred capital increase	—	—
1989/9	10	60000	600000	60000	600000	Earnings transferred capital increase	—	—
1990/9	10	100000	1000000	100000	1000000	Capital increase in cash and earnings transferred capital increase	—	—
1991/9	10	130900	1309000	130900	1309000	Earnings and capital reserve transferred capital increase	—	—
1992/7	10	172000	1720000	172000	1720000	Earnings and capital reserve transferred capital increase	—	—
1993/6	10	216370	2163700	216370	2163700	Earnings and capital reserve transferred capital increase	—	—
1994/7	10	265570	2655700	265570	2655700	Earnings and capital reserve transferred capital increase	—	—
1995/7	10	400000	4000000	307150	3071500	Earnings transferred capital increase	—	—
1996/7	10	400000	4000000	338680	3386800	Earnings transferred capital increase	—	—
1997/7	10	400000	4000000	373000	3730000	Earnings transferred capital increase	—	—
1998/7	10	410820	4108200	410820	4108200	Earnings transferred capital increase	—	—
2004/7	10	460000	4600000	410820	4108200	Only enhanced the approved capital stock	—	—

Note: The Company did not issue new shares in 2020 up to the date the Annual Report was printed.



Type of shares	Approved capital stock			Remark:
	Circulating shares	Shares yet to be issued	Total	
Common stock	410,820,000	49,180,000	460,000,000	Listed stock

Note: As of April 23, 2021, the subsidiary held 2,129,800 shares in the Company.

## (2) Shareholder structure

April 23, 2021

Shareholder structure Quantity	Government agency	Financial institution	Other institutional investors	Individual	Foreign institution and individual	Total
Number of people	0	0	191	32,467	93	32,751
Quantity of shares held	0	0	291,046,353	62,819,083	56,954,564	410,820,000
Shareholding ratio	0.00%	0.00%	70.85%	15.29%	13.86%	100.00%

## (3) Diversification of equity

April 23, 2021

Shareholding classification	No. of shareholders	Quantity of shares held	Shareholding ratio
1 ~ 999	24,347	2,128,995	0.52%
1,000 ~ 5,000	6,795	12,928,213	3.13%
5,001 ~ 10,000	859	6,419,211	1.56%
10,001 ~ 15,000	261	3,230,195	0.79%
15,001 ~ 20,000	141	2,526,694	0.62%
20,001 ~ 30,000	130	3,207,908	0.78%
30,001 ~ 50,000	80	3,030,656	0.74%
50,001 ~ 100,000	50	3,670,809	0.89%
100,001 ~ 200,000	27	3,651,618	0.89%
200,001 ~ 400,000	20	5,780,112	1.41%
400,001 ~ 600,000	11	5,764,379	1.40%
600,001 ~ 800,000	6	3,947,293	0.96%
800,001 ~ 1,000,000	5	4,631,353	1.13%
1,000,001 ~ 2,000,000	6	7,342,422	1.79%
2,000,001 ~ 4,000,000	7	19,003,043	4.63%
4,000,001 ~ 10,000,000	1	4,983,000	1.21%
Above 10,000,000	5	318,574,099	77.55%
Total	32,751	410,820,000	100.00%

**(4) List of major shareholders**

April 23, 2021

Name of major shareholder	Shares	Quantity	Ratio
Hitachi Elevator Taiwan Co., Ltd.		187,704,932	45.69%
Herzu Investment Ltd.		67,643,428	16.47%
Hitachi, Ltd.		31,817,168	7.74%
Hitachi Building Systems Co., Ltd.		15,908,571	3.87%
Nenghung Investment Holding Co., Ltd.		15,500,000	3.77%
First Securities (HK) Nominee Limited		4,983,000	1.21%
Jia Hong Lin		3,475,000	0.85%
Chien Hsin Trading Co., Ltd.		3,295,604	0.80%
Chien Hsin Trading Co., Ltd.		2,989,126	0.73%
Yungtay Social Welfare Foundation		2,890,730	0.70%

**(5) Related information of market price per share, net value, earnings, and dividends for the past two (2) years**

Currency unit : NTD

Items		Year	2018	2019	March 31, 2020
Market value per share	Highest		70.40	67.60	63.60
	Lowest		59.10	52.00	56.10
	Mean (Note 1)		63.08	64.87	59.39
Net value per share	Before distribution		27.35	28.81	29.28
	After distribution		25.15	—	—
Earnings Per Share	Weighted average number of shares (Note 2)		408,690,200	408,690,200	408,690,200
	Earnings per share		2.30	3.20	0.53
Dividend per share	Cash dividend		2.2	1.9 (Note 3)	—
	Free share assignment	Earnings-based share assignment	—	—	—
		Capital reserve-based share assignment	—	—	—
	Accumulated unpaid dividend		—	—	—
Analysis of return on investment	Price to earnings ratio		27.42	20.27	—
	Price to dividend ratio		28.67	34.14	—
	Cash dividend yield		3.49%	2.93%	—

Note 1: The annual average market price is calculated according to the strike price and the trading volume in each year.

Note 2: The number of shares held by subsidiaries is already removed from the weighted average number of shares.

Note 3: The cash dividend per share for 2020 is NT\$1.9 that is going to be discussed in the current shareholders' meeting.

Note 4: Data from financial statements prepared according to the International Financial Reporting Standards are adopted in this table.

## **(6) Company's dividend policy and implementation status**

### **1. Dividend policy:**

According to Article 29-2 of the Articles of Incorporation:

“The Company shall issue dividends and bonuses at 50% or above of after-tax net earnings of the immediate year and cash shall account for 50% or above of the dividends issued in order to reflect the maturing operating environment for primary products of the Company and to take care of operational demand; the above-mentioned ratios involved in the distribution, however, may be adjusted reflective of related factors such as operational or investment needs in order to meet the actual demand.” If there are no major changes to the operating environment and funds available, the dividend policy for the coming year will be the same as those stated in the Company’s Articles of Incorporation.

### **2. Distribution of dividends intended to be discussed in the current shareholders’ meeting:**

Cash dividend of NT\$1.9 is intended to be distributed through this shareholders’ meeting.

## **(7) Impacts of free share assignment intended through the current shareholders’ meeting on the Company's operational performance and earnings per share**

No free share assignment is intended to be discussed in the current shareholders’ meeting; therefore, it is not applicable.

## **(8) Remunerations for employees and directors**

1. (1) If the Company has profits for the year, at least 1% shall be set aside to be remunerations for employees. The Board of Directors shall decide whether they will be issued in form of share or cash. The Company may have the Remuneration Committee to submit the value of above-mentioned profits to the Board of Directors for a decision over appropriating no greater than 1% of it to be the remunerations for directors. The distribution of remunerations for employees and directors shall be reported in the shareholders’ meeting.

The Company shall appropriate for write-off of the loss carried forward, if applicable, before setting aside remunerations for employees and directors proportionally as mentioned in the preceding paragraph.

- (2) In cases of earnings determined for the year, besides the appropriations for writing off historical losses and for paying taxes as required by law, 10% shall be set aside as the legal reserve first and then the special reserve before dividends are paid. For the remainder, the following procedures are followed with regard to the distribution.

1. Bonuses for shareholders.

2. Retained earnings.

The proportions involved in the distribution mentioned in the preceding paragraph are to be determined by the Board of Directors and endorsed through the shareholders’ meeting.

2. Basis for estimating the amount of remunerations for employees and directors, basis for calculating the number of shares to be distributed as employee remunerations, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period : The amount of remunerations for employees and directors for the current period is estimated according to the requirements in the Articles of Incorporation. In case of any discrepancy between the actual distributed amount and the estimated amount, it will be handled as changes in accounting estimates and the booked value will be adjusted for the year based on the decision made in the shareholders’ meeting.

3. Distribution of remunerations from earnings in 2019 and 2020:

Unit: NTD

	2019				2020
	Actual distributed amount decided in shareholders' meeting	Estimated amount approved by the Board of Directors	Difference	Cause for the difference	Estimated amount approved by the Board of Directors
I. Distribution:					
1. Remunerations distributed to employees in cash	45,354,153	45,354,153	0	—	48,994,462
2. Remunerations distributed to employees in stock					
(1) Quantity of shares	0	0	0	—	0
(2) Value	0	0	0	—	0
(3) Ratio in the after-tax income of the current term and ratio in the overall remunerations assigned to employees	—	—	—	—	—
3. Remunerations for directors	5,039,350	5,039,350	0	—	5,443,529
II. Earnings per share :	2.30	2.30	0	—	3.2

Note : The earnings per share are based on the data from financial statements prepared according to the International Financial Reporting Standards.

4. When there is difference between the actual distributed amount of remunerations for employees and directors (including the number, value, and price of shares distributed) and the recognized remunerations for employees and directors in the preceding year, the difference, cause for the difference, and how it is handled shall also be specified : The difference for the preceding year is NT\$417,968, which is an estimated difference and will be booked through adjustment in 2020.

**(9) Buyback of the Company stock : None.**

**(II) Corporate bond, special stock, global depositary receipt, employee stock option certificate, restricted employee shares and M&A or acceptance of transferred shares of another company for issuance of new shares : None.**

**(III) Implementation of capital utilization plan**

No securities were issued or private placement of securities occurred in the most recent year in order to get the capital.

## V. Operational Status

### (I) Business Contents

#### (1) Scope of Business

##### 1. Major business operation items:

- (1) Design, manufacture, sale, installation, repair and maintenance of elevators, food delivery machines, escalators, electric walkways, and elevators.
- (2) Sales agency and maintenance & repair for machines constructed overseas or domestically.
- (3) Real estate rental business.

##### 2. Business Proportion

Product Name	Purpose	Business Proportion (%)
Lifts for passenger, cargo, or patient beds and the relevant parts	Building rapid delivery	94.23%
Construction machinery	Construction project	5.60%
Real estate lease	Real estate lease	0.17%

##### 3. Project development products and technology

- (1) Small-machine-room, machine-room-less and home elevator models satisfying New CNS standards
- (2) Next-generation software platform
- (3) Take the mobile phone call system
- (4) Disc door machine motor system.
- (5) The roomless disk host system / wellway size is very small.
- (6) Low noise locks.
- (7) Miniaturization of the household ladder control plate.
- (8) 5G/ Internet of Things (IoT)

#### (2) Industry Overview:

##### 1. The Industry's Current Status and Development

With regard to the aspect of the overall economy, the domestic and international economic situation analysis released by the Ministry of Economic Affairs on January 29, 2021, indicated that the momentum of global economic growth slows down by large under the impact of the COVID-19 in 2020. The global terminal demand entered recession due to the pandemic, unfavorable to foreign trade expansion. Fortunately, the pandemic is under great control in Taiwan. Domestic manufacturing capacity of semiconductor products, info-communication products, and audio and visual products is expanded significantly. Production capacity is increased thanks to the return of Taiwanese business operators. Therefore, these expansions of capacity match the stock-up demand of 5G technology, business opportunity in remote work, and new electronics, mitigating the impact of COVID-19. The private sector continues to invest in top high-end manufacturing processes driven by the semiconductor sector, and green energy such as offshore wind power. In addition, the investment by returned Taiwanese business operators continues. On that account, private investment is expected to expand steadily. Although private consumption is under the impact of the epidemic, more people stay home shopping online. Furthermore, the government's revitalization measures stabilize the domestic economy gradually and support the momentum of private consumption growth. Directorate General of Budget, Accounting and Statistics of Executive Yuan roughly estimated that the economic growth was increased by 2.98% in 2020, a record high in the past three years. It predicted that the economic growth will increase by 3.83% in 2021, better than last year.

Regarding the real estate market, last year (2020), the overall domestic real estate market was barely impacted by the pandemic, indicating rising price, stable volume and a hot market. The real estate purchase volume continued the increasing trend from the previous year (2019) and continued to rise for four years in a row. The total number of real estate transactions reached more

than 320,000 units and record high in the past seven years with an annual growth of 8.8%. The increased purchases in the real estate market increased the confidence of constructors in the launch of new projects, and last year (2020), the annual growth rate of the total area of nationwide building permits increased by 12.4%. That of the commencement area increased by 16.4%. Both of them showed double-digit growth. The overall national bank housing loan and building mortgage balance were NT\$8.423 trillion and NT\$2.4612 trillion, respectively, both reached record highs over the past years, indicating recovery of the real estate market. Furthermore, the central bank expected continuous moderate growth of the domestic economy and a moderate inflation outlook in 2021. Therefore, it has reached the resolution of maintaining the interest rate with easing monetary policy. The mortgage interest rate continues to be at a low level and the M1B annual growth rate is still higher than M2, such that the market fund was at a sufficient level. The central government amended the draft of the Urban Renewal Act, simplified the procedure for demolition by the government, increased the volume reward and accelerated urban renewal. The investment made by returned Taiwanese business operators, and the increase of the demand in commercial and industrial real estate markets, are beneficial to the commercial and industrial real estate markets continuously. It is expected to bring more profits to the real estate market in the future. Accordingly, the domestic elevator market opportunities are expected to grow continuously and stably.

Investment consulting and research reports released by numerous real estate companies and banks indicated that the housing market and land trading in Taiwan were hot in the second half-year of 2020, leading to chaos caused by flipping presale reservation order. To suppress speculation in the real estate market and prevent excessive flow of bank credit resources to real estate loans, government agencies launched a series of measures for cooling off the housing market and preventing speculation in house trading. For instance, the Ministry of the Interior reinforced the audit on trading violated presale reservation orders, and amended laws to include presale trading into Ver. 2.0 of the regulations governing actual selling price registration. The Ministry of Finance raised the house tax adjustment plan in one to two years and increased the cost for owning multiple houses. The Central Bank of Taiwan imposed targeted prudential measures on real estate loans and restricted loans for people purchasing three or more houses and constructors.

These adjustment and control policies implemented by the government aim at fighting speculation and flipping. In the short run, constructors will definitely have to slow down when creating new projects. However, these policies can suppress the rise of housing prices during a swing and drive speculators away. In addition, most people impacted by shrinkage in the fund for constructors are small and medium constructors with poor physique. It only costs large constructors with good physique a bit more but these constructors will become more competitive in the market. Besides, the fundamental and fund performance of the real estate market in Taiwan has not changed. The demand in the housing market is still high in the long run. Positive effects on the sound development of the housing market can be expected.

In China, COVID-19 had a huge impact on its economy in 2020. The GDP increase in the first quarter reduced by 6.8% from the same period of the previous year, the first negative growth in over 40 years. The annual GDP increased by 2.3% year-on-year because of the ebbing epidemic and economic recovery. Infrastructure and real estate investment recovered faster; consumption and manufacturing investment recovered slower. In the macro environment, the government launched a series of supportive policies, provided more tolerable environments and more support. The real estate sector feels good for a while. The elevator market slowed down but now grows slightly.

## 2. The Relationship of the Upstream, Midstream, and Downstream

The elevator industry incorporates the machinery and electrical fields. The upstream primarily comprised of iron, steel, non-ferrous metals, casting, machinery, and electrical components suppliers. The downstream primarily comprised real estate developers and builders in the construction industry.

## 3. Various Product Development Trends

With respect to the segmented market, since modern buildings focus on overall aesthetic design and flexible utilization, the demand for machine-room-less and small-machine-room

elevators which are capable of saving the shaft space and increasing the building use benefit has increased gradually. In addition, as Taiwan is heading toward the aging society, the market for small home elevators will also continue to expand. Furthermore, as the cost of land in urban areas increases, to amortize the cost, constructors tend to launch high-rise buildings; consequently, the demand for high-speed and large loading capacity elevators also increases.

Yungtay has continuously invested in the development, certification, and standardization of elevator products complying with the New CNS for the technical function aspect. Moreover, to strengthen market competitiveness, Yungtay still includes AI systems, IoT, VF control, disc-type traction machine, absolute positioning system (APS), and diverse safety detection protection system into recent key development items. Besides, epidemic prevention elevators with sterilization, air purification, contactless elevator calling features will still be popular in the future due to COVID-19's impact.

#### 4. Competition Status

Recent real estate market in Taiwan recovers, and the demand for various construction projects increases. The elevator manufacturers compete fiercely with each other, and the market prefers buyer-set prices. Due to the industrial features, builders in the construction industry tended to have long-term cooperation elevator manufacturers, and it is relatively more difficult to strive partnership with non-long-term cooperative construction companies. However, the company will continue to endeavor to develop new customers.

Intensive COVID-19 outbreaks in 2020 had an extensive impact on economic development in China. The economy was facing downward pressure. To ease the impact of pandemic control on economy in the first half year, the regional policy became flexible, and it was varied for different cities in China. Supportive policies for real estate were launched gradually for supply and demand sides. The policy environment has been getting tightened since September. Policies on property market regulations were upgraded in numerous regions. Overall, the regulation policies implemented in most of the cities were gentle. The development of the real estate sector in 2020 was enhanced while in a stable state. Yungtay strengthens collaboration with existing customers, continues to develop strategic partnerships with major real estate developers, and seeks government projects and public facility projects to boost market share.

### (3) Technology and R&D Status

1. R&D expenses invested in the last year and as of the publication date of this annual report.

Unit: NTD thousand

	2020	End of April 2021
R&D Expenses	463,786	137,171

#### 2. Research and Development Outcome

##### 2.1 Product R&D results

- (1) Small-room elevator extended development case
  - ※ The new control (Y12/Y15) system of small mechanical room elevator has been certificated for mass production. Complete 12 MAP unit tower trials by 2020. Further classification of product specifications, reduce cost and improve competitiveness.
  - ※ Expanded application of GSD-MM1.
  - ※ Completed large-duty small-room elevator 1350kg-2.0m/s and 1600kg-1.75m/s elevator product cost reduction, the use of GSD-ML1 host, competitiveness.
- (2) Development project of the roomless elevator
  - ※ Development of the use of roomless elevator VAG to replace the imported traction machine has been certificated, and it has been mass-produced.
  - ※ The roomless elevator disk host development in mainland China, the cost is more reasonable.
  - ※ Completed the roomless elevator 2000kg-m/s machine development, inorganic tenant ladder load increased to 2000kg, has been certified to complete and mass production.
  - ※ Complete the roomless elevator 450kg-1m/s and 1050kg-1.75m/s product reduction, competitiveness.
- (3) Development of high-speed elevators
  - ※ Preliminary GSC-LH performance confirmation with Veterans General Hospital 2500KG 180M/MIN.
  - ※ Completed the high-speed elevator 2000kg-5m/s machine development, expand our high-speed product line specifications, has been certified to complete mass production.
- (4) Development of the home elevator
  - ※ VAN2 home elevator 450KG, 1m/s has completed certified mass production.
  - ※ Completed the development of shallow pit home elevator John 4 and strong drive home ladder Susy, enrich our home elevator product line, has been certified to complete and mass production.
- (5) Renovation of elevator development
  - ※ Self-made PM host for the replacement and renovation of small mechanical room elevator (800-1000kg, 1.75m/s) has been certificated.
  - ※ The old elevator modification using the control (Y12) system development has been certified and trial mass production. Improve product correspondence, optimize the repair of elevators.
  - ※ Small-room elevator 1000kg-2.5m/s development, Roping 1:1, using GSC-LL host, has been certified into mass production.
- (6) Development of new control RX63N system
  - ※ Y15 MPUA PCBA development, certified complete and mass production.
  - ※ The roomless elevator control cabinet development (22kW), certified complete and mass production.
  - ※ The roomless elevator control cabinet development (37kW), certified complete and mass production.
  - ※ The roomless elevator operation screen development (22-37kW), certified complete and mass production.



- ※ 45KW control cabinet and ERE, ETS function optimization, certified complete and mass production.
  - ※ The roomless elevator integrated control cabinet development (15kW), certified complete and mass production.
  - ※ Strong drive the home elevator electrical development, certified and mass produced.
- (7) Development of the escalator system
- ※ Reducing the cost of Series E commercial escalators.  
Commercial escalator Series E-R55/R60/R80/R130 full-size reduction, cost reduction, competitiveness.
  - ※ The escalator retains the development of the old truss modification technology.  
Shanghai Jinjiang Townsend Hitachi EX escalator retains truss old transformation, completed.
  - ※ The function of the escalator electronic control system is increased.  
Drive wheel side ladder speed measurement, safety circuit fast disconnect detection, certified and mass production.
  - ※ Smart escalator development.  
Image recognition passengers do not regulate the use of ladders (strollers / retrograde / large luggage / head and limbs extended to the outside of the armrest belt, etc.), has been certified to complete mass production.
- (8) Smart ladder control products
- ※ It will provide intelligent ladder-controlled products, including face, voice, app and other integrated applications, to provide a more user-friendly experience.
  - ※ Smart scavenging ladder-phase1 (voice without access / gesture), (static / dynamic face / Bluetooth / QR code), certified and mass produced.
  - ※ Smart snorting ladder-phase2 (small program ride/APP), certified and mass produced.
- (9) Component development
- ※ APS development, VAN2 machine research and development testing has been completed. YHVF test.
  - ※ Host encoder development "Domochuan" string encoder to reduce costs, has been mass produced.
  - ※ Gate OEM development completed 2P-CO and 2S-2P a total of four types, has been mass production.
- (10) Development of the group management
- ※ Group control FT3X commission trial, special procedures with the modification ladder has been shipped.
- (11) NEW CNS 15827 Compliance Development (Small-Room and Home elevator)
- ※ Tower test, type test and intensity test.
  - ※ There are still four items to be improved in the regulatory review.
- (12) Purpose order group control development
- ※ With face, swipe card, QR code, touch screen and other input methods, the use of FT-3X group control, the development of the purpose of the order group control system. The development of scheduling algorithm and wall-mounted target order equipment has been completed.
- (13) Develop of Absolute Position APS in the hoistway
- ※ Use can communication, real-time acquisition of the absolute position of the car; For elevator control technology improvement, reduce the failure caused by abnormal position, small-room configuration has been certified can be mass produced.
- (14) Small-room old change elevator expansion and development
- ※ Completed the small-room elevator 1000kg-2.5m/s development, Roping 1:1, using GSC-LL host, has been certified into mass production.
- (15) The old building has been expanded with elevators
- ※ Completed the development of the roomless elevator add-on ladder 1000kg-1.75m/s, to meet the needs of the old building installation market, has completed the certification can be mass production.

- (16) Small-room cargo ladder to reduce costs
  - ※ Complete the small-room cargo ladder 2000kg-1.0m/s downbook, cost reduction, competitiveness.
- (17) Development of the plastic wrap rope product
  - ※ Small-room elevator 1050kg-1.75m/s wrapped rope machine development, the use of GSD-MM3 host, has been certified to complete mass production.
- (18) Host products
  - ※ (1).Development of DDM068 door motor.  
Completed rated power 68W door machine motor development, applicable specifications: 2P-CO,  $OP \leq 1200$  door machine, product cost competitiveness, small batch testing, is expected to be completed 3/E.
  - ※ (2).Development of the host with plastic wrap series of products  
New plastic wire rope with GSD-MM3 host development, applicable specifications: small machine room elevator  $\leq 1050\text{kg}$ ,  $\leq 2\text{m/s}$ , increase product segmentation specifications, has completed certification can be mass production.
  - ※ (3).GSS-SM3 host development.  
New plastic wire rope with GSS-SM3 host development, applicable specifications: home elevator  $\leq 400\text{kg}$ ,  $0.4\text{m/s}$ , increase product segmentation specifications, has been certified for mass production.
  - ※ (4).Development of DRUM-150 brake OEM.  
Completed DRUM-150 brake OEM development, use specifications: GSD-MM1, GSD-MM3 host, product competitiveness, certified and mass production.
- (19) Intelligent elevator system E-Pass function development
  - ※ Energy saving: Destination level calling, FT3, energy feedback.
  - ※ Preventive maintenance: IoT.
  - ※ AI Dispatch: voice-control calling, destination level, mixed alarm.
  - ※ Safety: Security mode, viewable for emergency, slider for self-rescue, UCMP, ACOP, brake force detection, car disinfection, ALP.
  - ※ Security function: Facial recognition, CRT, calling via mobile phone.
- (20) Development of the elevator IoT system
  - ※ Functions of remote alarm and data monitoring systems.
  - ※ Elevator Internet of Things development.
  - ※ Remote alarm and data monitoring functions.
  - ※ Elevator walkie-talkie and remote service center voice two-way transmission function.
  - ※ Service Center Visual Operations Interface Development.
  - ※ Network Communication Device Gateway (GATEWAY) development.
  - ※ CPS machine type elevator communication interface SEBA developed.
- (21) Development of maintenance and countermeasure tool
  - ※ The maintenance phone is equal to online control and update.
  - ※ SCOPE remote elevator dynamic monitoring system development, saving the dispatch of manpower station to observe elevator anomalies.
  - ※ Mobile phone update MPI program object development.
- (22) Start the development of the compensation adjustment-free feature.
  - ※ AbZ encoder through the improvement of software algorithms, to achieve the start-up torque adjustment-free.

## 2.2 Technology Development Results

### (1). Patent application

Year	Items	Yungtay(China)			Gie		
		Application	warrant	verify	Application	warrant	verify
2020	invention	14	3	44	12	1	23
	Utility model	17	18	18	7	8	5
	Exterior	3	4	0	4	4	0
	Total	34	25	62	23	13	28

Year	Items	Yungtay(Taiwan)		
		Application	warrant	verify
2020	invention	6	0	0
	Utility model	0	0	0
	Exterior	0	0	0
	Total	6	0	0

## 3. Future R&D Plans

### 3.1 Product R&D Plans

- (1) Compliance development of the roomless elevator
  - ※ Development of the VAG large load-bearing roomless elevator with the high speed at 2.5m/s.
  - ※ The VAG3 1000KG is a disk-based host.
  - ※ Development of the roomless elevator 2000kg, 2m/s, model MAP expansion, increased scope of sales.
  - ※ Development of the roomless elevator 1600kg, 2.5m/s, model MAP expansion, increased scope of sales.
- (2) Development of the small-room elevator expansion
  - ※ Development of the small-room elevator 2000kg, 3m/s, using GSC-LH host.
  - ※ Development of the small-room elevator 2500kg, 2.0 m/s.
- (3) Development of PM host system for the high-speed elevator 4.0m/s
  - ※ Development as well as certification of Self-made PM host for YHVF high-speed elevator 1600kg, 4.0m/s.
  - ※ Development of the high-speed elevator 5m/s.
  - ※ Development certification of Veterans General Hospital 2500kg 3m/s.
- (4) Development in compliance with new regulations
  - ※ The parts development, certification, and standardization for the machine categories provided by the new CNS (EN81-20) regulation. It can be used directly when the new regulation is released and implemented.
  - ※ Small-room elevator full MAP forensics and series development;
  - ※ The roomless elevator full MAP forensics and series development;
  - ※ The high-speed elevator super forensics and series development;
  - ※ Full MAP forensics and series development of freight elevators;
  - ※ Old change 1:1 forensics and development;
  - ※ Fire ladder small-room / roomless elevator development forensics and development.

- (5) Development of the disk motor series
  - ※ Development of the small-room elevator 1050kg, 2m/s, using GDM-MM host.
  - ※ Development of the roomless elevator 1050kg, 2m/s, using GDM-MM host.
  - ※ Development of the roomless elevator 1050kg, 1.75m/s, using GDM-MM1 host.
  - ※ Development of the roomless elevator 630kg, 1m/s, using GDM-SM host.
  - ※ Development of the roomless elevator 1600kg, 2.5m/s, using GDM-ML host.
- (6) Development of electromagnetic brake noise improvement
  - ※ MPB-270, MPB-300, MPB-380A release noise improvement and development.
- (7) Development of the cable with plastic wrap series of products
  - ※ Development of the small-room elevator 1050kg, 1.75m/s, adoption of GSD-MM3 host.
- (8) Development of the home elevator
  - ※ Development of shallow pit wrapped in plastic wire rope model, enrich product line.
- (9) The old elevator retrofit reduces costs
  - ※ Development of the small-room elevator 1000kg, 2.5m/s, Roping 1:1, using GSC-ML2 host.
- (10) Development of the old building is equipped with elevator
  - ※ Development of shallow pit old building with elevator.
- (11) Development of the high-speed elevator
  - ※ Development of the high-speed elevator 2000kg, 10m/s
- (12) Development of the freight elevator
  - ※ Development of the small-room elevator 5000kg, 1m/s, using GSC-LL1 host, the car side using 4 rail configuration.
- (13) Development of smart Series W bus sidewalk series
  - ※ Development of new bus walkway, to meet the needs of airport projects, to span Max 120m.
- (14) Series E reduces costs
  - ※ Series E commercial escalators reduce costs and enhance product competitiveness.
- (15) Host machine development
  - ※ Development of GDM-MM host machine, for roomless passenger elevator, load at 630-1050kg, speed at 1-2m/s, the traction wheel has a diameter of 420mm.
  - ※ Development of GDM-MM1 host machine, for roomless passenger elevator, load at 630-1050kg, speed at 1-1.75m/s, the traction wheel has a diameter of 420mm.
  - ※ Development of GDM-SM host machine, for roomless passenger elevator, load at 450-630kg, speed at 1m/s.
  - ※ Development of GDM-ML host machine, for roomless passenger elevator, load at 1150-1600kg, speed at 2.5m/s.
  - ※ Development of GDM-LL host machine, for roomless passenger elevator, load at 1800-2000kg, speed at 2.5m/s.
  - ※ Development of GDM-LH host machine, for small-room passenger elevator, load at 2000kg, speed at 7.0m/s.
  - ※ Development of GSC-LH1 high-speed elevator 1600kg, 4m/s host cost reduction, replacing the current GSC-LH host.
  - ※ Development of GSC-LH1 high-speed elevator 2000kg, 3m/s host cost reduction, replacing the current GSC-LH host.
  - ※ Development of GGS-MM host machine, load at 825-1050kg, speed at 1m/s.
  - ※ Development of shallow pit with ladder-wrapped wire rope host to reduce costs, replacing the current GSS-SM3 host.
  - ※ Development of GGS-SM1 host machine, load at 280-400kg, speed at 0.4m/s.
  - ※ The home elevator wrapped wire rope host reduces costs and replaces the current GSS-SM2 host.

- ※ Development of GGS-SM host machine, load at 450-630kg, speed at 1m/s.
  - ※ The roomless elevator wrapped wire rope host reduces costs and replaces the current GSS-SM3 host.
  - ※ The 112 machine seat number magnetic resistance 4.5kW motor, used for strong drive, reduce costs and increase efficiency.
  - ※ Other control cabinet specifications and surrounding systems, if the new national standard issued implementation.
- (16) Y20 Y12 control system development, complying with requirements of new rule, applicable to full specification entire unit
- ※ Development of core control system related PCBA and software.
  - ※ Development of the small-room elevator full MAP control cabinet.
  - ※ Development of the roomless elevator full MAP control cabinet.
  - ※ Development of the high-speed elevator control cabinet. (The Y20 Y12 system is paired with a Teda drive.)
- (17) Y20 Y12 control system development, suitable for the development of the home elevator and small elevator control cabinets
- ※ The core control system is used for testing and certification on the home elevator.
  - ※ It is suitable for the development of serial control cabinets for the home elevator.
- (18) Smart elevator controller and further development and extension of EPASS
- ※ The Company will offer smart elevator controllers and apps and smart light curtain to offer friendly experiences.
  - ※ Smart elevator calling: Develop Android and iOS apps for elevator calling.
  - ※ Smart elevator control: Conjunction of smart light curtain and elevator.
- (19) Image recognition technology and technical partnership with National Chiao Tung University.
- ※ Recognition of passenger behavior.
  - ※ Object identification for the elevator.
  - ※ Traffic flow counting for elevator hall.
  - ※ Falling detection.
- (20) Research on electromagnetic interference and development of suppression technology
- ※ Cause of common mode current and route research.
  - ※ Research on the property of iron core and magnetic material.
- (21) Development of elevator customization
- ※ Destination level calling integrated with facial recognition for the elevator hall.
  - ※ Robot elevator function.
  - ※ Development of ModBus interface for plug-in monitor panel.
  - ※ Special operating function for hospital emergency
  - ※ Operating function for hotel privacy

### 3.2 Technical development plans

- (1) Absorption of the new AI technology results in arising of the convenience and comfort
- ※ Facial recognition is applied to identity authentication, identification techniques for inspecting the abnormal motions, objects, as well as the video of passenger traffic in the elevator cabin.
  - ※ Voice-control calling technology and mobile phone calling technology development
  - ※ Conjunction of the identification technology as above and the electronic card system of mobile phone, cooperates with destination level calling, provides more friendly and the convenience using experience.
- (2) Big data collection for the Elevator Internet of Things
- ※ Preventive maintenance.
  - ※ Remote diagnosis.
  - ※ Mobile app service.
  - ※ Remote setting.

(3) Patent application plan

- ※ Yungtay(China) and Gie plans to file 30 invention patents, 28 utility models patents and 5 appearance design patents in 2021.

**(4) Long- and Short-term Business Development Plans**

1. Short-term:
  - (1) Increase special product specifications/function correspondence.
  - (2) We shall provide premium services to actively seize the elevator maintenance and repair market and increase company revenue.
  - (3) In the future, the cross-strait regulations will tend to become more consistent. The product differentiation will be reduced, design and development of the product module will be integrated.
  - (4) We shall actively develop new technologies and launch new disc-type traction machines.
  - (5) By strengthening and integrating the factory resources of Yungtay in Taiwan and China, Yungtay fully extends the advantage in development and management on both sides. Production and machining techniques will be improved to reinforce the technological capability and price competitiveness of Yungtay products.
2. Long-term:
  - (1) With the trend of an aging society, the demand for additional installation of elevators in old buildings increases, and Yungtay will continue to cultivate the market of additional installation of elevators for old buildings.
  - (2) To improve the living environmental quality and ensure residential safety, the government actively promotes urban renewal and encourages reconstruction of hazardous and old buildings. Accordingly, the demand for the replacement and renovation of old elevators also increases. The Company will continue to develop segmented markets for old elevators.
  - (3) Develop 5000~7000 kg heavy-duty freight elevators.

## (II) Overview of Market, Production, and Sales

### (1) Market Analysis

#### 1. Product (service) sales region and market share

The company's products are mainly sold domestically. The main competitors in the domestic elevator (escalator) market include Taiwan Mitsubishi, GFC, Fuji-sunrise, Taiwan OTIS, and Fujita. The market share of Yungtay is approximately 30%. The main competitors in China's elevator (escalator) market include KONE, Shanghai Mitsubishi, OTIS, Hitachi, thyssenkrupp, Schindler, OTIS Electric, Kongli, and LIO LIFT.

#### 2. Future supply and demand and growth on the market

The US-China trade war and COVID-19 broke out in recent years. The government launched the policies and proposals for investment encouragement to attract Taiwanese business operators to return to Taiwan and build factories in Taiwan. These policies and proposals boosted domestic demand and created job opportunities. The public is more able to buy houses. The real estate market has been boosted. The interest rate differential between the U.S. and Taiwan has been reduced and is estimated to last until 2023. The housing market continues to recover overall. The confidence of constructors in the launch of new projects still increases. The elevator demand market is expected to grow in the future. However, the number of residential building permits increased significantly in the past two years. There are still a large number of newly built houses for sale in the market. Provision of the housing market will still be restricted as long as these unsold houses exist. Also, in terms of public construction, MRT routes in the metropolitan continues to expand, and it will become an inevitable fact that people would like to take up their residency near those MRT routes. This will bring up the housing market near the MRT routes and boost the market demands. The central government continues to enhance relevant urban renewal and hazardous and old building reconstruction laws and policies. The renovation of the old elevators will still have a certain level due to market demands year by year. In China, construction enterprises were cautious about land acquisition in 2020. It became more evident that they returned to the first- and second-tier cities. In the first-tier cities, the land supply is definitely open and the risk resistance capacity is strong. Market recovery is more powerful than second-, third- and fourth-tier cities. The sales performance of construction enterprises grew year-on-year, but the growth rate had slowed down. Additional installation of elevators in old buildings also contributes to the stable growth of the elevator sector.

#### 3. Sales volume forecast and supporting basis

Items	Expected Sales Volume	Basis
Elevators (Escalators)	36,080 units	The sales volume is estimated based on the existing unshipped contracts installed in 2021, the industry boom, the market competition status, the government's real estate control policies, the central bank's monetary policy, and the historical sales records.

#### 4. Competitive niche

In addition to developing green, energy-efficient, high performance and space-saving elevator products as well as providing multiple exterior designs and functions in order to enhance the brand image and added value of the product; the company is also committed to product quality stabilization, technical contents, individualized craftsmanship design, and cost reduction to keep Yungtay's product prices competitive.

In response to the increasing need for old elevator replacement and renovation in Taiwan, Yungtay has effectively integrated the elevator design, production, and installation procedures to effectively decrease the construction time needed, reduce inconvenience to customers, and help to win contracts. In addition, China will promote new generation small machine room, machine-room-less, and automated escalator products in order to satisfy the different levels of customer demands using more precise product positioning.

Yungtay (China) primarily focuses on the sales of general residential elevators (escalators) the Chinese market as well as increasing the quality and stability of its products. Yungtay pays particular attention to product and service upgrades in terms of energy efficiency, high performance, smartization, and user-friendliness, and committed to strive for the residential market share via clear positioning and product differentiation.

In addition, with the support of the government in China, the market for additional installation of elevators for old buildings and the market for replacement of old elevators in the region of China are expected to grow rapidly. Accordingly, there is a great market demand potential in additional installation of elevator for old buildings, renovation, modification and replacement of old elevators. Yungtay (China) will also utilize its advantages based on the existing product lines to root in such potential markets deeply.

## 5. Development the Prospective Advantages and Disadvantages as well as Countermeasures

### (1) Favorable Factors

- ① The government strengthened rail transit construction in central and southern regions and second-tier cities, balanced regional development. The self-occupancy housing demand led by population relocation will continue to stimulate new demand for house change and purchase.
- ② Old houses over 30 years old nationwide account for almost half of residential houses with house tax registered throughout the country. The demand for house change will still be the largest drive force of inelastic demand in the years to come.
- ③ The demand for maintenance, repair, and replacement is increasing each day with the increase in the number of elevators used.
- ④ The central continues to promote and execute relevant urban renewal and hazardous and old building reconstruction laws and policies.
- ⑤ Government subsidizes residential apartments for additional installation of barrier-free elevators to secure residential safety.
- ⑥ The cost of land in the metropolitan area has increased, and so has the ratio for high-speed & high-floor elevators.
- ⑦ Return of Taiwanese business operators drive employment and income, improving purchase capability and commercial building and factory construction demands.
- ⑧ Low interest rate era and sufficient market fund are advantageous to the development of real estate market.
- ⑨ Support from the China government increases the supply of public rental housing and the total number of leasing commercial housing.
- ⑩ In the region of China, support for new farming village construction improves the living condition of farmers, beneficial to home elevator products.
- ⑪ Demand for old elevator maintenance is increasing in the region of China, and the relational regulations are becoming stricter more than before, which is the benefit to the elevator suppliers to sustain their business.
- ⑫ Additional installation of elevators for old buildings and renovation of old elevators receive supports from the government in the region of China, and the two markets for old buildings and elevators will increase significantly.

### (2) Unfavorable Factors and Countermeasures

- ① Newly constructed and pending for sale remaining house units are still at high level and slow population & economic growth will reduce elevator demands.  
Countermeasure: Continue to shorten the production process and rationalize the cost in order to reduce costs and maintain stable profits.
- ② Fierce price competition.  
Countermeasure : Strengthen R&D capabilities; provide more precise product positioning; improve the technological content of energy conservation, security, humanization and intelligence, etc.; and



increase the added value and differentiation of products.

- ③ Increased labor costs, rising raw material prices, and lower profit margins.

Countermeasure : Improve product research and design capability, optimize product cost.

- ④ In the region of China, policies of squatter settlement reconstruction are gradually tightened. The government launched measures for avoiding massive demolition or construction.

Countermeasure : The construction items for squatter settlement reconstruction have not been terminated completely. Squatter settlement reconstruction plans are still ongoing in some central and western cities. More attention can be given to these plans.

## (2) Purposes and production processes of main products

1. Main purpose of elevator: transport of people and objects inside the building.
2. Production and preparation processes: Take order→Design begins→Components are produced→Assemble→Check quality→Bundle and pack→Ship→Install→Debug→Check quality→Inspection upon completion→Deliver→Care Service

## (3) Supply of main raw materials

Name of raw material	Supplier	Supply status
Stainless steel sheet	Huayang, Yuandong, Yili, Sinkang Industries, Jiangsu Daming, Wuxi Puxin, Haimen Senda, Chain Chon	Sufficient
Elevator guideway material	Gaorong, Wanxin, Zhejiang Baoli, Zhangjiagang Shengtong, Malazi (Jiangsu), Suzhou Saiweila	Sufficient
Iron material, iron sheet	Chunyuan, Longtai, Wanxin, Zejiang Wuchan, Shanghai Guilv, Shanghai Jialang, Shanghai Huixing, Shanghai Baht, Nantong Haixun, Shanghai Fenggu	Sufficient
Casting	Baoqiao, Xingtuo, Yeong Chen Asia, Jiashan Xiangrong, Jiashan Shuangyu, Xuancheng Hualing	Sufficient
Electrical appliance, wire, cable	Hongjiang, Weishuo, Yofeng, Shanghai Beienke, Shanghai STEP, Onitl, Shanghai Laogang Shenling, HongDa	Sufficient
Mechanical components of elevators	Xukui, Jiyl, Xingda, Qunxian, Changgang	Sufficient

- (4) Names of customers with 10% or more purchases or sales and the values and ratios of purchases or sales in any of the most recent two (2) years; please also describe the reason for the increase or decrease : None.

## (5) Production volumes/values in the past two (2) years

Unit: NTD thousand

Production volume/value	2019			2020		
	Throughput (Unit)	Volume (Unit)	Value (NT\$1,000)	Throughput (Unit)	Volume (Unit)	Value (NT\$1,000)
Main products						
Elevators and components	28,000	12,055	9,271,195	28,000	16,815	11,530,240

**(6) Sales volume/values in the past two (2) years**

Unit: NTD thousand

Sales volume/ value  Main products	2019				2020			
	Importation		Exportation		Importation		Exportation	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Elevators and components	12,339	12,772,312	—	39,809	14,652	14,372,456	—	62,854
Other	—	906,227	—	—	—	883,441	—	—
Total	—	13,678,539	—	39,809	—	15,255,897	—	62,854

**(III) Employees**

Year		2019	2020	Current year as of March 31, 2021
Number of employees		5,138	5,201	5,256
Mean age		37.43	37.81	37.74
Mean seniority in service		10.04	10.22	10.38
Education Distribution Ratio	PhD	0.1%	0.1%	0.1%
	Master	2.1%	2.1%	2.1%
	College and University Graduate	57.5%	57.4%	56.8%
	Senior High School	38.1%	38.0%	38.5%
	Below Senior High School	2.2%	2.4%	2.5%

**(IV) Information on Environmental Protection Expenditure**

- 1. The total value of losses borne due to polluting the environment in the past two (2) years up to the date the Annual Report was printed: None.**
- 2. Countermeasure**
  1. Areas with improvement measures to be adopted
    - (1) Improvement plan: Follow the ISO14001 environmental management proposal.
    - (2) Expected expenditure on environmental protection in the coming three years: NT\$30 million.
  2. Areas without countermeasures
    - (1) Reasons for not adopting improvement measures: None.
    - (2) Pollution: None.
    - (3) Possible losses and compensation: None.

**(V) Labor-Management Relations**

- 1. The total value of losses borne due to labor-management disputes in the past two (2) years up to the date the Annual Report was printed : None.**

## 2. Labor-management agreement

The Company has been believing in a harmonious and reciprocal labor-management relationship that helps each other grow. Therefore, the labor-management relationship has been harmonious. The Company works hand in hand with its people to jointly bring about and share fruitful results. Examples are given below:

1. Labor-management negotiations are held so that both parties keep the communication channel clear.
2. Sign a collective bargaining agreement.
3. The “Employee Retirement Reserve Supervisory Committee” is established to handle matters concerning the pension fund.
4. There is the Employee Welfare Committee and the Company supports establishment of various types of societies to help organize respective recreational activities, tours, and welfare events so that both employees and their dependents may enjoy the benefits provided by the Company.
5. Remunerations for employees are enforced so that employees get to share operational fruits.
6. Yungtay (China) follows the requirements of the local Social Insurance Law by setting aside social security fees and benefits such as those for the five (5) social insurances and one (1) housing fund.
7. We have the educational training center to organize various types of management and specialized educational training and help employees constantly receive new knowledge and keep growing. Continuing education and training available for employees in 2020 are shown below:

Training program	Availability	Total headcount of participants	Total hours involved	Overall cost
Professional functional training	225	2,252	56,839	4,366,507
General education and cadre management training	36	496	5,892	1,616,675
Safety and health education	56	749	5,673	469,571
Total	317	3,497	68,404	6,452,753

8. The Company keeps a good labor-management relationship and the parties have smooth communications. There are no possible expenses on disputes in the future.

## (VI) Important Contract

Nature of contract	Client	Start/end dates of contract Date	Main contents	Restrictions
Technical Partnership Contract – Providing the related techniques of elevator, the installation of elevator and escalator, adjustment, and check, maintenance, quality assurance and remote monitoring diagnosis.	Japan Hitachi, Ltd.	2019.09.30~ 2024.09.29	US\$50 is paid for each unit of the elevators or escalators sold or disposed of separately. The royalties are paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	

Nature of contract	Client	Start/end dates of contract Date	Main contents	Restrictions
Technical Partnership Contract - High-speed inverter control elevator	Japan Hitachi, Ltd.	2015.06.01~2020.05.31	US\$300 is paid for each unit sold or disposed of separately during the contract period. The royalties are paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	
Technical Partnership Contract – Machine-roomless elevator	Japan Hitachi, Ltd.	2017.05.22~2022.05.21	US\$300 is paid for each unit sold or disposed of separately during the contract period. The total is paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	
Technical Partnership Contract – Large-scale freight elevator	Japan Hitachi, Ltd.	2017.05.22~2022.05.21	US\$300 is paid for each unit sold or disposed of separately during the contract period. The total is paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	
Technical Partnership Contract - High-speed inverter control elevator (HVF3 voltage type)	Japan Hitachi, Ltd.	2016.11.01~2021.10.31	US\$300 is paid for each unit sold or disposed of separately during the contract period. The total is paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	

## VI. Overview of Financial Status

### (I) Concise balance sheet, comprehensive income statement, and accountants check opinion for the last five (5) years

#### (1) Concise Balance Sheet (Merger Information)

Unit: NTD thousand

Year Items		Financial data of the past 5 years (Note 1)					Current year as of March 31, 2021 Financial Information (Note 1)
		2016	2017	2018	2019	2020	
Current Assets		18,453,359	15,523,043	13,904,643	14,396,688	16,444,657	16,336,094
Real estate, manufacturing facilities and equipment (Note 2)		6,138,314	5,811,956	5,419,088	4,984,299	4,862,322	4,821,043
Intangible Assets		284,841	185,577	52,622	38,324	35,275	33,346
Other Assets		3,019,554	2,408,261	2,273,691	2,248,837	2,574,299	2,616,524
Total assets		27,896,068	23,928,837	21,650,044	21,668,148	23,916,553	23,807,007
Current Liabilities	Before dispatch	14,200,765	11,199,914	9,449,408	9,616,587	11,327,860	11,079,346
	After dispatch	15,186,733	12,021,554	10,188,884	-	-	-
Non-current Liabilities		1,784,798	963,987	729,047	626,216	546,393	481,152
Total liabilities	Before dispatch	15,985,563	12,163,901	10,178,455	10,242,803	11,874,253	11,560,498
	After dispatch	16,971,531	12,985,541	10,917,931	-	-	-
The equity that belongs to the client of the parent company		11,731,725	11,583,418	11,295,795	11,235,419	11,834,028	12,027,979
Capital stock		4,108,200	4,108,200	4,108,200	4,108,200	4,108,200	4,108,200
Capital reserve		256,332	264,835	270,267	275,042	279,398	279,392
Retained earnings	Before dispatch	7,073,078	7,133,037	6,987,662	7,229,227	7,595,695	7,814,121
	After dispatch	6,087,110	6,311,397	6,248,186	-	-	-
Other interests		363,526	146,757	(923)	(307,639)	(79,854)	(104,323)
Treasury stock		(69,411)	(69,411)	(69,411)	(69,411)	(69,411)	(69,411)
Non-controlling interests		178,780	181,518	175,794	189,926	208,272	218,530
Total equity	Before dispatch	11,910,505	11,764,936	11,471,589	11,425,345	12,042,300	12,246,509
	After dispatch	10,924,537	10,943,296	10,732,113	-	-	-

Note 1: The financial information from 2016 to 2020 has been verified and certified by a CPA; the financial information for the first quarter of 2021 has been reviewed by a CPA.

Note 2: No asset revaluation has been conducted for the last five (5) years.

Note 3: During 2020 and first quarter of 2021, the subsidiaries holds a total of 2,129,800 company shares.

## (2) Concise Consolidated Statement of Profit or Loss (Merger Information)

Unit: NTD thousand

Year Items	Financial Information for the Last Five Fiscal Years (Note 1)					Current year as of March 31, 2021 Financial Information (Note 1)
	2016	2017	2018	2019	2020	
Operating Revenues	19,581,652	16,752,217	14,858,628	13,718,348	15,318,751	3,769,023
Gross Margin	5,647,641	4,454,863	3,435,738	3,267,378	3,832,507	982,729
Operating Profit and Loss	2,137,969	1,478,923	975,634	849,757	1,013,167	291,581
Non-business income and expenditure	47,182	69,980	79,035	395,400	608,200	54,172
Net profit before tax	2,185,151	1,548,903	1,054,669	1,245,157	1,621,367	345,753
Unit that continued operations Net Profit for Current Period	1,584,489	1,157,169	731,743	979,449	1,345,347	228,728
Losses from units that stopped operations	-	-	-	-	-	-
Net Profit (Loss) for Current Period	1,584,489	1,157,169	731,743	979,449	1,345,347	228,728
Other Comprehensive Profits and Losses for Current Period (Post-tax Net Amount)	(756,421)	(298,728)	(146,162)	(265,343)	167,827	(24,513)
Total Consolidated Gains and Losses for the Current Period	828,068	858,441	585,581	714,106	1,513,174	204,215
Net profit attributable to Parent Company Owners	1,554,995	1,127,886	674,747	939,668	1,309,100	218,470
Net profit attributable to Non-controlling interests	29,494	29,283	56,996	39,781	36,247	10,258
Total consolidated gains and losses attributable to Parent Company Owners	798,574	829,158	528,585	674,325	1,476,927	193,957
Total consolidated gains and losses attributable to Non-controlling interests	29,494	29,283	56,996	39,781	36,247	10,258
Earnings Per Share	3.80	2.76	1.65	2.30	3.20	0.53

Note 1: The financial information from 2016 to 2020 has been verified and certified by a CPA; the financial information for the first quarter of 2021 has been reviewed by a CPA.

Note 2: During 2020 and first quarter of 2021, the subsidiaries holds a total of 2,129,800 company shares.

### (3) Concise Balance Sheet (Individual Information)

Unit: NTD thousand

Year Items		Financial Information for the Last Five Fiscal Years (Note 1)				
		2016	2017	2018	2019	2020
Current Assets		4, 078, 848	3, 583, 587	3, 922, 567	4, 402, 474	4, 937, 604
Real estate, manufacturing facilities and equipment (Note 2)		1, 302, 883	1, 386, 582	1, 398, 583	1, 373, 266	1, 368, 413
Intangible Assets		8, 226	7, 806	7, 233	2, 953	4, 560
Other Assets		11, 045, 082	10, 339, 802	9, 593, 953	9, 094, 668	9, 328, 020
Total assets		16, 435, 039	15, 317, 777	14, 922, 336	14, 873, 361	15, 638, 597
Current Liabilities	Before dispatch	3, 173, 312	2, 972, 476	3, 064, 391	3, 246, 865	3, 475, 353
	After dispatch	4, 159, 280	3, 794, 116	3, 803, 867	–	–
Non-current Liabilities		1, 530, 002	761, 883	562, 150	391, 077	329, 216
Total liabilities	Before dispatch	4, 703, 314	3, 734, 359	3, 626, 541	3, 637, 942	3, 804, 569
	After dispatch	5, 689, 282	4, 555, 999	4, 366, 017	–	–
Capital stock		4, 108, 200	4, 108, 200	4, 108, 200	4, 108, 200	4, 108, 200
Capital reserve		256, 332	264, 835	270, 267	275, 042	279, 398
Retained earnings	Before dispatch	7, 073, 078	7, 133, 037	6, 987, 662	7, 229, 227	7, 595, 695
	After dispatch	6, 087, 110	6, 311, 397	6, 248, 186	–	–
Other interests		363, 526	146, 757	(923)	(307, 639)	(79, 854)
Treasury stock		(69, 411)	(69, 411)	(69, 411)	(69, 411)	(69, 411)
Total equity	Before dispatch	11, 731, 725	11, 583, 418	11, 295, 795	11, 235, 419	11, 834, 028
	After dispatch	10, 745, 757	10, 761, 778	10, 556, 319	–	–

Note 1: The financial information from 2016 to 2020 has been verified and certified by a CPA.

Note 2: No asset revaluation has been conducted for the last five (5) years.

**(4) Concise Consolidated Statement of Profit or Loss (Individual Information)**

Unit: NTD thousand

Items \ Year	Financial Information for the Last Five Fiscal Years (Note)				
	2016	2017	2018	2019	2020
Operating Revenues	5,489,385	5,465,334	5,940,272	5,942,257	6,466,867
Gross Margin	1,883,048	1,762,947	1,822,590	1,943,185	2,026,755
Operating Profit and Loss	1,274,865	1,149,236	1,203,025	1,293,667	1,372,957
Non-business income and expenditure	591,956	286,218	(290,939)	(83,805)	250,375
Net profit before tax	1,866,821	1,435,454	912,086	1,209,862	1,623,332
Unit that continued operations Net Profit for Current Period	1,554,995	1,127,886	674,747	939,668	1,309,100
Losses from units that stopped operations	–	–	–	–	–
Net Profit (Loss) for Current Period	1,554,995	1,127,886	674,747	939,668	1,309,100
Other Comprehensive Profits and Losses for Current Period (Post-tax Net Amount)	(756,421)	(298,728)	(146,162)	(265,343)	167,827
Total Consolidated Gains and Losses for the Current Period	798,574	829,158	528,585	674,325	1,476,927
Earnings Per Share	3.80	2.76	1.65	2.30	3.20

Note : The financial information from 2016 to 2020 has been verified and certified by a CPA.

**(5) Names of CPAs for the past 5 years and their inspection feedback**

Year	CPA	Inspection Feedback
2016	Sheng Ping Lin Xiu Li Chen	No reservations
2017	Jen Chi Chen Xiu Li Chen	No reservations
2018	Jen Chi Chen Xiu Li Chen	No reservations
2019	Sheng Ping Lin Jen Chi Chen	No reservations
2020	Sheng Ping Lin Jen Chi Chen	No reservations



## (II) Financial Analyses for the Past Five Fiscal Years

### (1) Financial Analysis (Merger Information)

Analysis Item (Note 2)		Year	Financial Analysis for the Last Five Fiscal Years (Note 1)					Current year as of March 31, 2021 (Note 1)
			2016	2017	2018	2019	2020	
Financial Structure	Liability to Asset Ratio (%)		57.3	50.83	47.01	47.27	49.65	48.56
	Ratio of Long-term Capital to Real Estate, Plant, and Equipment (%)		223.11	219.01	225.14	241.79	258.90	264.00
Solvency	Current Ratio (%)		129.95	138.60	147.15	149.71	145.17	147.45
	Quick Ratio (%)		70.36	76.61	91.08	92.78	90.98	86.63
	Interest Coverage Ratio (%)		42,847.10	17,404.40	10,045.47	1,294.00	1,689.92	1,756.09
Management Capacity	Receivable turnover ratio (times)		3.91	4.07	4.04	3.73	3.87	0.84
	Average Number of Days for Cash Receiving		93.35	89.68	90.34	97.85	94.31	107.14
	Inventory turnover ratio (times)		1.61	1.70	1.94	2.00	2.04	0.45
	Payable Turnover Rate (Qty.)		4.49	4.66	5.20	4.89	3.85	0.80
	Average Sales Days		226.70	214.70	188.14	182.50	178.92	200.00
	Real Estate, Plant, and Equipment Turnover Rate (Qty.)		3.25	2.80	2.65	2.64	3.11	0.78
	Total Asset Turnover Rate (Qty.)		0.67	0.65	0.65	0.63	0.67	0.16
Profitability	Return on Total Assets (%)		5.43	4.47	3.21	4.53	5.91	0.96
	Return on Equity (%)		13.14	9.78	6.30	8.56	11.47	1.88
	Pre-tax Income to Paid-in Capital (%)		53.47	37.90	25.81	30.47	39.67	8.46
	Net Margin (%)		8.09	6.91	4.92	7.14	8.78	6.07
	Earnings per Share (NT\$)		3.80	2.76	1.65	2.30	3.2	0.53
Cash Flow	Cash Flow Ratio (%)		15.00	8.37	5.52	7.89	15.66	(6.71)
	Cash Flow Allowance Ratio (%)		84.03	89.52	89.39	75.07	79.50	53.70
	Cash Reinvestment Ratio (%)		6.17	(0.45)	(2.32)	(0.01)	5.34	(4.57)
Leverage	Operational Leverage		3.19	3.81	4.96	5.59	3.15	4.87
	Financial Leverage		1.00	1.00	1.00	1.00	1.00	1.00

Reasons why the various financial ratio changes in the last two (2) years have been greater than 20%:

1. Payment Receivables Turnover : It was due to the increase of accounts payable at the end of the period compared to last year, which resulted in an decrease in Payment Receivables Turnover compared to the previous period.
2. Interest coverage ratio, return on total assets, return on equity, net income before tax as a percentage of paid-in capital, net margin, earnings per share : It was due to the increase of revenue and gross profit, which resulted in an increase in profit for the period compared to the previous period, and an increase in the financial ratios of the related profitability.
3. Cash flow ratio, Cash reinvestment ratio : It was due to the increase of profit and net cash inflow from operating activities, which resulted in an increase in financial ratios.
4. Operating leverage : It was due to the decrease of profitability as a result of higher variable operating costs and expenses, which resulted in an decrease in Operating leverage compared to the previous period.

Note 1: The financial information from 2016 to 2020 has been verified and certified by a CPA; the financial information for the first quarter of 2021 has been reviewed by a CPA.

Note 2: The calculation formulas are listed as follows:

#### 1. Financial Structure

(1) Liability to assets ratio = total liabilities / total assets.

(2) Ratio of Long-term Capital to Real Estate, Plant, and Equipment = (total equity + non-current liabilities) / net real estate, plant and equipment.

2. Solvency
  - (1) Current ratio = current assets / current liabilities.
  - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
  - (3) Interest guarantee multiple = net interest before income tax and interest expense / current interest expense.
3. Management Capacity
  - (1) Payment Receivables (including accounts receivable and bills due from operations) Turnover = Net Sales/Avg. Accounts Receivable for various Periods (Including Receivables and Receivables due to Operation ) Balance.
  - (2) Average cash receiving days = 365/Payment Receivables Turnover.
  - (3) Inventory turnover = cost of goods sold/average inventory amount.
  - (4) Payment Payable (including accounts payable and bills payable as a result of operations) Turnover = balance of cost of goods sold / average payables for each period (including accounts payable and bills payable as a result of operations).
  - (5) Average number of days sales are conducted = 365/inventory turnover.
  - (6) Real estate, plant, and equipment turnover = net sales/net average real estate, plant, and equipment.
  - (7) Total asset turnover = net sales/average total assets.
4. Profitability
  - (1) Return on Total Assets = [after-tax gains and losses + interest  $\times$  (1-tax rate)]/gross assets on average
  - (2) Return on Equity = after-tax gains and losses/mean total equity
  - (3) Net Margin = after-tax gains and losses/net sales.
  - (4) Earnings per share = (profit or loss attributable to parent company owners - special share dividends) / weighted average number of shares outstanding. (Note 3)
5. Cash Flow (Note 4)
  - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
  - (2) Net cash flow cash flow rate = net cash flow from operating activities in the last five (5) years / last five (5) years (capital expenditure + inventory increase + cash dividend).
  - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends)/(Gross from property, plant and equipment + Long-term investments + Other non-current assets + Working capital).
6. Leverage:
  - (1) Operating leverage = (net operating income - variable operating costs and expenses) / operating profit.
  - (2) Financial leverage = operating interest / (operating interest - interest expense).

Note 3: The preceding calculation formula for earnings per share is based on the weighted average number of ordinary shares, rather than on the number of shares that have been issued at the end of the year.

Note 4: When measuring cash flow, special attention should be paid to the following items:

1. The net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. The capital expenditure refers to the number of cash outflows per year of capital investment.
3. The increase in inventories is only included when the ending balance is greater than the opening balance; and if the inventory at the end of the year decreases, it is calculated as zero.
4. The cash dividends include cash dividends from ordinary shares and special shares.
5. The gross value of property, plant, and equipment refers to the total amount of real property, plant, and equipment before depreciation.

Note 5: If the company's shares are non-detailed or if the denomination of each share is not NT\$10, the former calculation for the ratio of paid-in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company.

## (2) Financial Analysis (Individual Information)

Analytical item (Note 2)		Financial Analysis for the Last Five Fiscal Years (Note 1)				
		2016	2017	2018	2019	2020
Financial Structure	Liability to Asset Ratio (%)	28.62	24.38	24.30	24.46	24.33
	Ratio of Long-term Capital to Real Estate, Plant, and Equipment (%)	1,017.88	890.35	847.85	846.63	888.86
Solvency	Current Ratio (%)	128.54	120.56	128.00	135.59	142.07
	Quick Ratio (%)	94.12	79.88	92.35	102.01	111.28
	Interest Coverage Ratio (%)	30,111.02	14,648.49	7,932.18	6,685.32	9,330.49
Management Capacity	Receivable turnover ratio (times)	4.45	4.45	4.81	4.90	5.35
	Average Number of Days for Cash Receiving	82.02	82.02	75.88	74.48	68.22
	Inventory turnover ratio (times)	3.34	3.25	3.61	3.69	4.15
	Payable Turnover Rate (Qty.)	4.95	5.15	5.65	5.13	4.53
	Average Sales Days	109.28	112.30	101.10	98.91	87.95
	Real Estate, Plant, and Equipment Turnover Rate (Qty.)	4.25	4.06	4.27	4.29	4.72
	Total Asset Turnover Rate (Qty.)	0.33	0.34	0.39	0.40	0.42
Profitability	Return on Total Assets (%)	9.36	7.10	4.46	6.31	8.58
	Return on Equity (%)	13.08	9.68	5.90	8.34	11.35
	Pre-tax Income to Paid-in Capital (%)	45.68	35.12	22.32	29.60	39.72
	Net Margin (%)	28.33	20.64	11.36	15.81	20.24
	Earnings per Share (NT\$)	3.80	2.76	1.65	2.30	3.2
Cash Flow	Cash Flow Ratio (%)	40.70	15.84	34.65	32.66	44.55
	Cash Flow Allowance Ratio (%)	74.68	73.09	84.46	78.89	96.18
	Cash Reinvestment Ratio (%)	1.27	(3.78)	1.83	2.48	4.77
Leverage	Operational Leverage	2.43	2.66	2.64	2.58	2.57
	Financial Leverage	1.00	1.00	1.00	1.00	1.00
Reasons why the various financial ratio changes in the last two (2) years have been greater than 20%:						
1. Interest coverage ratio, return on total assets, return on equity, net income before tax as a percentage of paid-in capital, net margin, earnings per share : It was due to the increase of revenue and gross profit, which resulted in an increase in profit for the period compared to the previous period, and an increase in the financial ratios of the related profitability.						
2. Cash flow ratio, Net cash flow cash flow rate , Cash reinvestment ratio : It was due to the increase of profit and net cash inflow from operating activities, which resulted in an increase in financial ratios.						

Note 1: The financial information from 2016 to 2020 has been verified and certified by a CPA.

Note 2: The calculation formulas are listed as follows:

### 1. Financial Structure

- (1) Liability to assets ratio = total liabilities / total assets.
- (2) Ratio of Long-term Capital to Real Estate, Plant, and Equipment = (total equity + non-current liabilities) / net real estate, plant and equipment.

### 2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
- (3) Interest guarantee multiple = net interest before income tax and interest expense / current interest expense.

### 3. Management Capacity

- (1) Payment Receivables (including accounts receivable and bills due from operations) Turnover =  $\frac{\text{Net Sales}}{\text{Avg. Accounts Receivable for various Periods (Including Receivables and Receivables due to Operation) Balance}}$ .
- (2) Average cash receiving days =  $\frac{365}{\text{Payment Receivables Turnover}}$ .
- (3) Inventory turnover =  $\frac{\text{cost of goods sold}}{\text{average inventory amount}}$ .
- (4) Payment Payable (including accounts payable and bills payable as a result of operations) Turnover =  $\frac{\text{balance of cost of goods sold}}{\text{average payables for each period (including accounts payable and bills payable as a result of operations)}}$ .
- (5) Average number of days sales are conducted =  $\frac{365}{\text{inventory turnover}}$ .
- (6) Real estate, plant, and equipment turnover =  $\frac{\text{net sales}}{\text{net average real estate, plant, and equipment}}$ .
- (7) Total asset turnover =  $\frac{\text{net sales}}{\text{average total assets}}$ .

### 4. Profitability

- (1) Return on Total Assets =  $\frac{[\text{after-tax gains and losses} + \text{interest} \times (1 - \text{tax rate})]}{\text{gross assets on average}}$
- (2) Return on Equity =  $\frac{\text{after-tax gains and losses}}{\text{mean total equity}}$
- (3) Net Margin =  $\frac{\text{after-tax gains and losses}}{\text{net sales}}$ .
- (4) Earnings per share =  $\frac{(\text{profit or loss attributable to parent company owners} - \text{special share dividends})}{\text{weighted average number of shares outstanding. (Note 3)}}$

### 5. Cash Flow (Note 4)

- (1) Cash flow ratio =  $\frac{\text{net cash flow from operating activities}}{\text{current liabilities}}$ .
- (2) Net cash flow cash flow rate =  $\frac{\text{net cash flow from operating activities in the last five (5) years}}{\text{last five (5) years (capital expenditure + inventory increase + cash dividend)}}$ .
- (3) Cash reinvestment ratio =  $\frac{(\text{net cash flow from business activities} - \text{cash dividends})}{(\text{net value of real estate, manufacturing facilities, and equipment} + \text{long-term investment} + \text{other non-current assets} + \text{working capital})}$

### 6. Leverage:

- (1) Operating leverage =  $\frac{(\text{net operating income} - \text{variable operating costs and expenses})}{\text{operating profit}}$ .
- (2) Financial leverage =  $\frac{\text{operating interest}}{(\text{operating interest} - \text{interest expense})}$ .

Note 3: The preceding calculation formula for earnings per share is based on the weighted average number of ordinary shares, rather than on the number of shares that have been issued at the end of the year.

Note 4: When measuring cash flow, special attention should be paid to the following items:

1. The net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. The capital expenditure refers to the number of cash outflows per year of capital investment.
3. The increase in inventories is only included when the ending balance is greater than the opening balance; and if the inventory at the end of the year decreases, it is calculated as zero.
4. The cash dividends include cash dividends from ordinary shares and special shares.
5. The gross value of property, plant, and equipment refers to the total amount of real property, plant, and equipment before depreciation.

Note 5: If the company's shares are non-detailed or if the denomination of each share is not NT\$10, the former calculation for the ratio of paid-in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company.

### (III) Audit Committee's Review Report

## Audit Committee's Review Report

The board of directors had prepared the company's 2020 business report and financial statements. Also, the financial statements were audited by Jiang Sheng & Co., CPAs Certified Public Accountants with an independent auditor's report issued. The Audit Committee had reviewed the aforementioned business report and financial statements without any discrepancies found. Therefore, an Audit Committee's Review Report is hereby issued for review and approval in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely yours

The 2021 Annual General Shareholders Meeting of Yungtay Engineering Co., Ltd.

Yungtay Engineering Co., Ltd.



Convener of the Audit Committee: Fu Hsiung Huang



March 30, 2021

## (IV) Consolidated Financial Statements of 2020

### REPRESENTATION LETTER

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” as of and for the year ended December 31, 2020 are the same as those required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financials Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Yungtay Engineering Co., Ltd. and its subsidiaries do not prepare a separate set of consolidated financial statements.

Very truly yours,

Yungtay Engineering Co., Ltd.

By



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Chairman: Xu, Zuo-Ming

March 26, 2021

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

Yungtay Engineering Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of Yungtay Engineering Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2020, and 2019, and the consolidated statements of comprehensive income, cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China in 2020 and conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Decree of Jin Guan Jheng Shen No.1090360805 promulgated from Financial Regulatory Commission on February 25, 2020 and auditing standards generally accepted in the Republic of China in 2019. Our responsibilities under those standard are further described in the section Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audits evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

#### Revenue recognition

Please refer to Note 6(20) to the consolidated financial statements for the details of the information about the sale of goods associated with elevators and related maintenance, which accounts for 94.22% of the total operating revenue.

The main clients come from construction industry, which have already signed the contract with regard to the sales of elevator and maintenance. The timing for revenue recognition lies in the point when the elevator is installed completely and are examined and qualified by the competent authority, and the maintenance is recognized over time followed by the designated service time in accordance with the contract. Since the timing for revenue recognition and correct attribution of revenue is subject to the significant judgment and decision from the management, it has been identified a key audit matter. Please refer to Note 4(20) to the consolidated financial statements for the details of accounting policy about the recognition of sales.

Our key audit procedures responded to the above area included: 1.obtained an understanding and evaluating of the implementation of internal controls over the recognition of sales revenue designed by the Company's management in order to evaluate the effectiveness of the related activity of internal control; 2.performed the cut-off tests to sales revenue, which is occurred in the specific period before and after



the balance sheet date as well as reviewed the material contracts to verify the correctness and reasonableness of the recognition of the sales of elevators, maintenance and repairs.

### Evaluation of inventories

The carrying amount of inventories on December 31, 2020 was NT\$6,007,337 thousand, which accounted for 25% of the total assets in the consolidated balance sheet and could have a material impact on the consolidated financial statements. Inventories tended to be obsolete and caused damaged easily because of rapid development of technology in the production of elevator and uncertainty in the demand market. The estimate of net realizable value of inventories is subject to the management's subjective judgment. Consequently, the evaluation of inventories' measurement at the lower of cost or net realizable value, together with the provision of the allowance for the inventories decline loss, has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included: understood and tested the design and operating effectiveness of internal controls of inventories; obtained the evaluation data of net realizable value of inventories prepared by management; implemented the computation through the way of sampling to assure the correctness of the provision of the allowance for the inventories decline and verified and compared the contract price of recent actual sales to understood if there was any decline happened to the inventories. Moreover, observed year-end inventory physical count and executed sampling of inventory physical count to assess the adequacy of the methods used by management to identify and monitor if there was any obsolescent inventories.

### **Other Matter**

We have also audited the parent company only financial statements of Yungtay Engineering Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

Those charged with governance (including members of audit committee) are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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



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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Lin, Seng-Ping and Chen, Jen-Chi.

林昇平 陳仁志



A member of Russell Bedford International  
Taipei, Taiwan (Republic of China)  
March 26, 2021

#### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China. For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

**Yungtay Engineering Co., Ltd. and its Subsidiaries**  
Consolidated Balance Sheets - Assets  
December 31, 2020 and 2019  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Accounting Item	Note	31-Dec-20		31-Dec-19	
			Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	6(1)	\$ 4,488,289	19	3,903,861	18
1110	Financial assets at fair value through profit or loss -current	6(2)	860,501	4	791,342	4
1120	Financial assets at fair value through other comprehensive income-current	6(3)	105,411	-	84,110	-
1150	Notes receivable, net	6(4)	373,857	2	308,343	1
1170	Accounts receivable, net	6(4)	3,840,581	16	3,324,134	16
1200	Other receivables	6(25)	14,279	-	62,103	-
130x	Inventories	6(5)	6,007,337	25	5,227,996	24
1410	Prepayments	6(6)	130,676	1	246,130	1
1460	Non-current assets held for sale	6(7)	59,114	-	57,495	-
1478	Refundable deposits	6(8)	335,757	1	200,534	1
1470	Other current assets		56	-	4,445	-
1480	Incremental costs of obtaining contracts-current	6(6)	228,799	1	186,195	1
11xx	Total current assets		16,444,657	69	14,396,688	66
15xx	Non-current assets					
1517	Financial assets at fair value through other comprehensive income-non-current	6(3)	464,470	2	97,142	-
1550	Investments accounted for using equity method	6(9)	146,778	1	332,434	2
1600	Property, plant and equipment	6(10)	4,862,322	20	4,984,299	23
1755	Right-of-use assets	6(11)	234,566	1	251,704	1
1760	Investment property, net	6(12)	822,667	3	801,240	4
1780	Intangible assets	6(13)	35,275	-	38,324	-
1840	Deferred tax assets	6(23)	687,835	3	616,108	3
1915	Prepayments for equipment	6(10)	20,350	-	7,487	-
1920	Refundable deposits	6(8)	139,446	1	112,195	1
1940	Long-term notes and accounts receivable		44,292	-	17,221	-
1990	Advances to employees and official business		8,375	-	7,786	-
1990	Other non-current assets, others		5,520	-	5,520	-
15xx	Total non-current assets		7,471,896	31	7,271,460	34
1xxx	Total assets		\$ 23,916,553	100	21,668,148	100

(Notes attached are part of the consolidated financial statements)

Chairman: (sealed)



Manager: (sealed)



Accounting Supervisor: (sealed)



**Yungtay Engineering Co., Ltd. and its Subsidiaries**  
Consolidated Balance Sheets – Liabilities and Equity  
December 31, 2020 and 2019  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Accounting Item	Note	31-Dec-20		31-Dec-19	
			Amount	%	Amount	%
21xx	Current liabilities					
2120	Financial liabilities at fair value through profit or loss	6(2)	\$ -	-	4,445	-
2130	Contract liabilities	6(14)	6,210,553	26	6,076,982	28
2150	Notes payable		398,569	2	310,154	1
2170	Accounts payable		3,324,975	14	1,928,420	9
2200	Other payables	6(15)	939,780	4	912,611	4
2230	Current tax liabilities	6(23)	159,658	1	133,816	1
2280	Lease liabilities -current	6(16)	14,322	-	18,056	-
2313	Deferred revenue	6(20)	227,556	1	209,403	1
2315	Advance receipts	9(8)	14,381	-	-	-
2399	Lease liabilities-current	6(17)	24,083	-	20,444	-
2399	Other current liabilities-other		13,983	-	2,256	-
21xx	Total current liabilities		11,327,860	48	9,616,587	44
25xx	Non-current liabilities					
2570	Deferred income tax liabilities	6(23)	3,666	-	4,875	-
2580	Lease liabilities-non-current	6(16)	8,029	-	18,815	-
2630	Long-term deferred revenue	6(20)	115,458	-	86,700	-
2640	Net defined benefit liabilities-non-current	6(18)	259,929	1	330,698	2
2645	Guarantee deposits received	6(17)	159,311	1	185,128	1
25xx	Total non-current liabilities		546,393	2	626,216	3
2xxx	Total liabilities		11,874,253	50	10,242,803	47
31xx	Total equity attributable to shareholders of the parent					
3100	Capital stock	6(19)	4,108,200	17	4,108,200	19
3200	Capital surplus	6(19)	279,398	1	275,042	1
3300	Retained earnings	6(19)				
3310	Legal reserve		3,171,035	13	3,077,068	14
3320	Special reserve		307,639	1	923	-
3350	Unappropriated earnings		4,117,021	17	4,151,236	19
3400	Other equity					
3410	Exchange differences on translation of foreign operations		(168,965)	-	(284,952)	(1)
3420	Unrealized gain (loss) on financial assets at fair value through other comprehensive income		89,111	-	(22,687)	-
3500	Treasury stock		(69,411)	-	(69,411)	-
31xx	Equity attributable to shareholders of the parent		11,834,028	49	11,235,419	52
36xx	Non-controlling interests		208,272	1	189,926	1
3xxx	Total equity		12,042,300	50	11,425,345	53
3x2x	Total liabilities and equity		\$ 23,916,553	100	21,668,148	100

(Notes attached are part of the consolidated financial statements)

Chairman: (sealed)



Manager: (sealed)



Accounting Supervisor: (sealed)



**Yungtay Engineering Co., Ltd. and its Subsidiaries**  
Consolidated Statements of Comprehensive Income  
For the years ended December 31, 2020 and 2019  
(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Code	Accounting Item	Note	2020		2019	
			Amount	%	Amount	%
4000	Operating revenue	6(20)	\$ 15,318,751	100	13,718,348	100
5000	Operating costs	6(5)	(11,486,244)	(75)	(10,450,970)	(76)
5950	Gross profit from operations		3,832,507	25	3,267,378	24
6000	Operating expenses					
6100	Selling expenses		(815,563)	(5)	(697,166)	(5)
6200	Administrative expenses		(1,264,266)	(9)	(1,246,131)	(9)
6300	Research and development expenses		(463,786)	(3)	(474,324)	(4)
6450	Expected credit (gain)	6(4)	(20,419)	-	-	-
	Total operating expenses		(2,564,034)	(17)	(2,417,621)	(18)
6900	Net operating income		1,268,473	8	849,757	6
7000	Non-operating income and expenses					
7100	Interest income		56,021	-	68,394	1
7130	Dividend income		32,675	-	29,115	-
7020	Government grants	6(21)	14,593	-	12,972	-
7020	Other gains and losses	6(21)	231,216	2	300,777	2
7050	Finance costs	6(21)	(960)	-	(963)	-
7060	Share of (loss) profit of associates accounted for using equity method	6(9)	19,349	-	(14,895)	-
	Total non-operating income and expenses		352,894	2	395,400	3
7900	Income before income tax		1,621,367	10	1,245,157	9
7950	Income tax expenses					
7951	Current income tax expenses	6(23)	(330,602)	(2)	(279,381)	(2)
7952	Deferred income tax expenses	6(23)	54,582	-	13,673	-
8000	Current income from continuing operations		1,345,347	8	979,449	7
8100	Gains and losses from discontinuing operation, net		-	-	-	-
8200	Net income for the year		1,345,347	8	979,449	7
8300	Other comprehensive income (loss), net					
8310	Items that will not be reclassified subsequently to profit or loss:					
8311	Remeasurement of defined benefit plans	6(18)	(53,541)	-	55,331	-
8316	Unrealized profit or loss on investment in equity instruments at fair value through other comprehensive income	6(19)	116,096	1	(2,015)	-
8321	Remeasurement of defined benefit plans of associates		(412)	-	(973)	-
8326	Unrealized profit or loss on investment in equity instruments at fair value through other comprehensive income of associates	6(19)	(661)	-	3,005	-
8349	Income tax (benefit) expense related to items that will not be reclassified	6(23)	10,708	-	(10,983)	-
	Total items not reclassified subsequently into gains and losses		72,190	1	44,365	-
8360	Items that may be reclassified subsequently to profit or loss:					
8361	Exchange differences arising on translation of foreign operations	6(19)	97,462	1	(303,556)	(2)
8362	Unrealized gains (losses) on available-for-sale financial assets		-	-	-	-
8370	Share of other comprehensive income (loss) of associates	6(19)	(1,825)	-	(6,152)	-
	Total items to be reclassified subsequently into gains and losses		95,637	1	(309,708)	(2)
8500	Total comprehensive income for the year		\$ 1,513,174	10	714,106	5
8600	Net income attributable to:					
8610	Shareholders of the parent		\$ 1,309,100	8	939,668	7
8620	Non-controlling interests		36,247	-	39,781	-
			\$ 1,345,347	8	979,449	7
8700	Comprehensive income attributable to:					
8710	Shareholders of the parent		\$ 1,476,927	10	674,325	5
8720	Non-controlling interests		36,247	-	39,781	-
			\$ 1,513,174	10	714,106	5
	Earnings per share (unit: NT\$)	6(24)				
9750	Basic earnings per share (in NT dollar)		\$ 3.20		2.3	

(Notes attached are part of the consolidated financial statements)

Chairman: (sealed)



Manager: (sealed)



Accounting Supervisor: (sealed)





**Yungtay Engineering Co., Ltd. and its Subsidiaries**

**Consolidated Statements of Changes in Equity**

For the years ended December 31, 2020 and 2019

(Amounts Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent											
Item	Retained earnings				Other equity			Treasury share	Total	Non-controlling interests	Total equity
	Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income				
Balance as of January 1, 2019	\$ 4,108,200	270,267	3,009,594	-	3,978,068	24,756	(25,679)	(69,411)	11,295,795	175,794	11,471,589
Appropriation & distribution of earnings in 2018											
Legal reserve			67,474		(67,474)				-	-	-
Special reserve				923	(923)				-	-	-
Cash dividends					(739,476)				(739,476)	-	(739,476)
Adjustments of capital surplus due to cash dividends paid from parent to subsidiaries		3,834							3,834	-	3,834
Overdue dividends unclaimed		939							939	-	939
Share of changes in net assets of associates accounted for using equity method		2							2	-	2
Net income in 2019					939,668				939,668	39,781	979,449
Other comprehensive income (loss) in 2019					43,375	(309,708)	990		(265,343)	-	(265,343)
Total comprehensive income (loss) in 2019					983,043	(309,708)	990		674,325	39,781	714,106
Adjustments to share of disposal and capital reduction of investments in equity instruments at fair value through other comprehensive income owned by associates		-	-	-	(2,002)	-	2,002		-	-	-
Non-controlling interests received cash dividends distributed by subsidiaries		-	-	-	-	-	-		-	(25,649)	(25,649)
Balance as of December 31, 2019	\$ 4,108,200	275,042	3,077,068	923	4,151,236	(284,952)	(22,687)	(69,411)	11,235,419	189,926	11,425,345
Balance as of January 1, 2020	\$ 4,108,200	275,042	3,077,068	923	4,151,236	(284,952)	(22,687)	(69,411)	11,235,419	189,926	11,425,345
Appropriation & distribution of earnings in 2019											
Legal reserve			93,967		(93,967)				-	-	-
Special reserve				306,716	(306,716)				-	-	-
Cash dividends					(903,804)				(903,804)	-	(903,804)
Adjustments of capital surplus due to company's cash dividends paid to subsidiaries		4,686							4,686	-	4,686
Overdue dividends unclaimed		1,401							1,401	-	1,401
Net income in 2020					1,309,100				1,309,100	36,247	1,345,347
Other comprehensive income (loss) in 2020					(43,245)	95,637	115,435		167,827	-	167,827
Total comprehensive income (loss) in 2020					1,265,855	95,637	115,435		1,476,927	36,247	1,513,174
Disposal of associate accounted for using equity method		-	-	-	-	20,350	780		19,399	-	19,399
Disposal of equity instruments at fair value through other comprehensive income		-	-	-	4,417	-	(4,417)		-	-	-
Cash dividends distributed from subsidiary to non-controlling interests		-	-	-	-	-	-		-	(17,901)	(17,901)
Balance as of December 31, 2020	\$ 4,108,200	279,398	3,171,035	307,639	4,117,021	(168,965)	89,111	(69,411)	11,834,028	208,272	12,042,300

(Notes attached are part of the consolidated financial statements)

Chairman: (sealed)



Manager: (sealed)



Accounting Supervisor: (sealed)





**Yengtay Engineering Co., Ltd. and its Subsidiaries**  
Consolidated Statements of Cash flows  
For the years ended December 31, 2020 and 2019  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Item	2020	2019
AAAA	<b>Cash flows from operating activities:</b>		
A10000	Income before income tax	\$ 1,621,367	1,245,157
A20000	Adjustments:		
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expense	354,403	385,183
A20200	Amortization expense	11,425	13,104
A20300	Expected credit loss	20,419	-
A20400	(Gain) loss in financial asset at fair value through profit or loss	(16,258)	(3,421)
A20900	Interest expense	960	963
A21200	Interest income	(56,021)	(68,394)
A21300	Dividend income	(32,675)	(29,115)
A22300	Share of loss (profit) of associates accounted for using equity method	(19,349)	14,895
A22500	Loss (gain) on disposal of property, plant and equipment	(15,399)	(1,151)
A22500	Loss on obsolescence of property, plant and equipment	2,449	5,788
A22700	Loss on disposal of Investment property	(1,319)	(1,065)
A23000	(Gain) on disposal of noncurrent assets held for sale	(113,960)	(259,938)
A23100	Loss (gain) on disposal of partial investments accounted for using equity method (Note 6(9))	(37,605)	-
A23700	Impairment loss on noncurrent assets held for sale	-	10,000
A23700	Impairment loss on investment property	5,477	-
A23700	Loss of inventory decline	97	-
A23800	Impairment loss (reversal of impairment loss) on other nonfinancial asset (Note 6(8))	(1,800)	-
A23800	(Reversal of loss) from price recovery of inventory decline	-	(1,927)
A24100	Unrealized foreign exchange loss	29,323	31,581
A29900	Various expenses transferred from prepayment for equipment	-	1,257
A20010	Total adjustments to reconcile profit (loss)	130,167	97,760
A30000	Change in operating assets and liabilities		
A31000	Change in operating assets		
A31115	(Increase) decrease in financial assets mandatorily classified as at fair value through profit or loss	(49,797)	(265,001)
A31130	(Increase) decrease in notes receivable, net	(65,514)	79,187
A31150	(Increase) decrease in accounts receivable, net	(545,637)	(31,880)
A31180	(Increase) decrease in other receivables	2,223	4,874
A31200	(Increase) decrease in inventory	(789,916)	5,540
A31230	(Increase) decrease in prepayments	115,454	(181,621)
A31240	(Increase) decrease in other current assets	(56)	77
A31270	(Increase) decrease in incremental costs of obtaining contracts-current	(42,604)	(31,987)
A31000	Total change in operating assets	(1,375,847)	(420,811)
A32000	Change in operating liabilities		
A32125	Increase (decrease) in contract liabilities	133,571	27,014
A32130	Increase (decrease) in notes payable	88,415	(22,126)
A32150	Increase (decrease) in accounts payable	1,396,555	228,631
A32180	Increase (decrease) in other payables	34,013	54,455
A32210	Increase (decrease) in unearned revenue	14,381	-
A32230	Increase (decrease) in other current liabilities	8,623	228
A32240	Increase (decrease) in defined benefit liabilities, net	(124,310)	(127,493)
A23990	Increase (decrease) in deferred revenue	46,911	(64,079)
A32000	Total change in operating liabilities	1,598,159	96,630
A30000	Total change in operating assets and liabilities	222,312	(324,181)
A20000	Total adjustments	352,479	(226,421)

(Continued)

**Yengtay Engineering Co., Ltd. and its Subsidiaries**  
Consolidated Statements of Cash flows  
For the years ended December 31, 2020 and 2019  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Item	2020	2019
A33000	Cash generated from operations	1,973,846	1,018,736
A33100	Interest received	58,566	65,426
A33200	Dividends received	46,689	53,640
A33300	Interest paid	(83)	(50)
A33500	Income tax paid	(304,777)	(378,698)
AAAA	Net cash flows generated by operating activities	1,774,241	759,054
BBBB	<b>Cash flows from investing activities</b>		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(76,697)	(9,625)
B00020	Disposal of financial assets at fair value through other comprehensive income	45,351	-
B00030	Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	337
B01900	Disposal of investment accounted for using equity method	1,916	-
B02600	Proceeds from disposal of noncurrent assets held for sale (Note 6(25))	186,102	231,933
B02700	Acquisition of property, plant and equipment (Note 6(25))	(191,312)	(111,084)
B02800	Proceeds from disposal of property, plant and equipment (Note 6(25))	7,597	1,913
B03700	(Increase) in refundable deposits	(160,674)	(12,518)
B04500	Acquisition of intangible assets	(6,763)	(443)
B05500	Proceeds from disposal of investment property	8,031	8,868
B06800	(Increase) decrease in other non-current assets	(27,660)	6,646
B07100	(Increase) in prepayments for equipment	(16,453)	(7,415)
BBBB	Net cash flows used in investing activities	(230,562)	108,612
CCCC	<b>Cash flows from financing activities</b>		
C03000	Increase (decrease) in guarantee deposits received	(22,178)	87,274
C04020	Repayment of the principal portion of lease liabilities	(21,882)	(15,576)
C04500	Cash dividends paid	(917,019)	(761,291)
C09900	Other-overdue dividends unclaimed	1,401	939
CCCC	Net cash flows used in financing activities	(959,678)	(688,654)
DDDD	Effect of exchange rate changes on cash and cash equivalents	427	(150,686)
EEEE	Net increase (decrease) in cash and cash equivalents	584,428	28,326
E00100	Cash and cash equivalents at the beginning of year	3,903,861	3,875,535
E00200	Cash and cash equivalents at the end of year	\$ 4,488,289	3,903,861

(Notes attached are part of the consolidated financial statements)

Chairman: (sealed)



Manager: (sealed)



Accounting Supervisor: (sealed)



**Yungtay Engineering Co., Ltd.**  
**Notes to Consolidated Financial Statements**  
**For the years ended December 31, 2020 and 2019**  
**(Amounts in Thousands of New Taiwan Dollars, unless specified otherwise)**

**1. GENERAL**

Yungtay Engineering Co., Ltd. (“YTEC” or the “Company”), a Republic of China (R.O.C.) corporation, was incorporated on July 9, 1966. YTEC is engaged mainly in manufacturing and selling all kinds of elevators, escalators and related spare parts and components as well as providing the after-sales services of installation, maintenance and repair. The principal operating items of YTEC’s subsidiaries are described in Note 4(3). The address of its registered office and principal place of business is 11F, No.99, Fu-Hsin N. Rd., Taipei, Taiwan, R.O.C.. YTEC’s shares were listed on the Taiwan Stock Exchange in November, 1989.

The number of employees of the Company and its subsidiaries (collectively referred herein as the “Group”) was 5,248 and 5,165 as of December 31, 2020 and 2019, respectively.

**2. THE AUTHORIZATION OF FINANCIAL STATEMENTS**

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 26, 2021.

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

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

New IFRSs

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Amendments to IFRS 3 “Definition of a Business”

Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

Amendments to IAS 1 and IAS 8 “Definition of Material”

Amendments to IFRS 16 “Covid-19-Related Rent Concessions”

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on The Group's accounting policies:

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

The Group adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to "could reasonably be expected to influence" and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

(2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers for application starting from 2021 and the IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2021

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS, "Extension of the temporary exemption from applying IFRS"	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"	January 1, 2021
Amendments to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020

Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. Before the application of the amendment, the Group was required to determine whether the abovementioned rent concessions are lease modifications and thus have to be accounted for as lease modifications.

The Group did not apply the amendment in 2020.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail.

##### **(1) Statement of Compliance**

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC with effective dates (collectively, “Taiwan-IFRSs”).

##### **(2) Basis of Preparation**

###### **a. Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

###### **b. Functional and reporting currency**

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in thousands of New Taiwan Dollars(“NT\$”), which is the Company’s functional currency, unless specified otherwise.

##### **(3) Basis of Consolidation**

###### **a. Principles for preparing consolidated financial statements**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- (a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) Exposure, or rights, to variable returns from its involvement with the investee, and
- (c) The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee
- (b) Rights arising from other contractual arrangements
- (c) The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests (NCIs) even if this results in a deficit balance of the NCIs.

The carrying amounts of the Company's interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries in accordance with the statement of B96 of IFRS 10. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the parent.



When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

- (a) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and
- (b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any noncontrolling interest.

The Company shall account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

**b. The subsidiaries included in the consolidated financial statements**

The detail information of the subsidiaries at the end of reporting period was as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Ownership (%)		Description
			December 31		
			2020	2019	
YTEC	Yungtay Engineering Co. (HK)	Holding Co.	78.72	78.72	
Better Win Investment Co. (SAMOA)	Yungtay Engineering Co. (HK)	Holding Co.	21.28	21.28	(Note 1)
Yungtay Engineering Co. (HK)	Yungtay Elevator Equipment Co. (China)	Manufacturing & maintenance of elevator	100.00	100.00	
Yungtay Elevator Equipment Co. (China)	Yungtay Elevator Installation & Maintenance Co. (ShangHai, China)	Installation & maintenance of elevator	100.00	100.00	
Yungtay Elevator Equipment Co. (China)	Jiyi Electric Co. (Shanghai, China)	Manufacturing & maintenance of Component of elevator	100.00	100.00	(Note 2)
Yungtay Elevator Equipment Co. (China)	Yungtay Elevator Limited Liability Co. (Vietnam)	Sale & Maintenance of elevator	100.00	100.00	
Yungtay Elevator Equipment Co. (China)	Yungtay Elevator Equipment Co. (Sichuan, China)	Manufacturing & maintenance of elevator	100.00	100.00	
Yungtay Elevator Equipment Co. (China)	Yungtay Elevator Equipment Co. (Tianjin, China)	Manufacturing & maintenance of elevator	100.00	100.00	
Yungtay Elevator Equipment Co. (Tianjin, China)	Yungtay Elevator Installation & Maintenance Co. (Tianjin, China)	Installation & maintenance of elevator	-	-	(Note 3)
YTEC	Better Win Investment Co. (SAMOA)	Holding Co.	100.00	100.00	
YTEC	Yungjiun Construction Machinery Co., Ltd.	Investment business	100.00	100.00	

Name of Investor	Name of Investee	Main Businesses and Products	Ownership (%)		Description
			December 31		
			2020	2019	
YTEC	Yungtay Hitachi Construction Machinery Co., Ltd.	Sale & Maintenance of Construction Machinery	51.00	51.00	

Note 1: The Company holds 21.28% ownership of Yungtay Engineering Co. (HK) through Better Win Investment Co. (SAMOA). The Company originally held 78.72% ownership of Yungtay Engineering Co. (HK). Due to comprehensive holdings 100% ownership of Yungtay Engineering Co. (HK) the 21.28% ownership of Yungtay Engineering Co. (HK) is consolidated.

Note 2: On October 16, 2017, the board of directors of Yungtay Elevator Equipment Co. (China) resolved that Yungtay Elevator Equipment Co. (China) absorbed by merger Jiyi Electric Co. (Shanghai, China), with Yungtay Elevator Equipment Co. (China) being the surviving company and Jiyi Electric Co. (Shanghai, China) being the dissolving company, effective from December 31, 2017. Due to complying with the company's operating needs in the third quarter, 2019, the aforesaid merger agreement was no longer to be executed. Yungtay Elevator (China) is still the parent company of Jiyi Electric Co. (Shanghai, China), which is 100% owned by Yungtay Elevator (China).

Note 3: Yungtay Elevator Installation & Maintenance Co. (Tianjin, China) has been liquidated in November, 2019.

- c. Subsidiaries not included in the consolidated financial statements: None.
- d. Significant restriction: None.
- e. Subsidiaries that have non-controlling interests that are material to the Group: None.

#### **(4) Foreign Currency**

##### **a. Foreign currency transaction**

Transactions in foreign currencies are translated to the functional currencies of the Group at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the

reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and the payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the date the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

All exchange differences arising from the settlement or translation of monetary items are taken to profit or loss in the period in which they arise, except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

**b. Foreign operations**

When preparing the consolidated financial statements, the assets and liabilities of the Group's foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated New Taiwan Dollar at the

exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely predicted in the foreseeable future, the foreign currency gains and losses arising from such items are considered to a part of investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

#### **(5) Classification of Current and Noncurrent Assets and Liabilities**

An asset is classified as current under any one of the following conditions. All other assets are classified as non-current.

- a. The asset is expected to be realized, or sold or consumed, during the Group's normal operating cycle;
- b. The asset is held primarily for the purpose of trading;
- c. The asset is expected to be realized within twelve months after the reporting period; or
- d. The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

A liability is classified as current under any one of the following conditions. All other liabilities are classified as non-current.

- a. The liability is expected to be settled during the Group's normal operating cycle;
- b. The liability is held primarily for the purpose of trading;
- c. The liability is due to be settled within twelve months after the reporting period; or
- d. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

#### **(6) Cash and Cash Equivalents**

Cash comprises cash on hand and cash in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits (including foreign-currency deposits) meeting the aforementioned definition and held for the purpose of fulfilling short-term cash commitments rather than for investment or other purposes are classified under cash equivalents.

#### **(7) Financial Instruments**

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

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

##### **a. Financial Assets**

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

(a) Category of financial assets and measurement

Purchase or sale of financial assets is recognized or derecognized using trade date accounting.

Financial assets held by the Group are classified into subsequently the following categories: financial assets at fair value through profit or loss (FVTPL), financial assets measured at amortized cost and investment in equity instruments at fair value through other comprehensive income (FVTOCI) on the basis of both:

- i. The Group's business model for managing the financial assets and
- ii. The contractual cash flow characteristics of the financial asset.

(i) Financial assets at FVTPL

For certain financial assets which include debt instruments that do not meet the criteria of amortized cost or FVTOCI, it is mandatorily required to measure them at FVTPL. Any gain or loss arising from remeasurement is recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest earned on the financial asset. The measurement method of fair value please see Note 12.

(ii) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the

effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

(iii) Investments in equity instruments at FVTOCI

On initial recognition, the Group may irrevocably designate investments in equity investments that is not held for trading as at FVTOCI.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. On de-recognition, gains and losses accumulated in OCI of equity investments are reclassified to retained earnings instead of profit or loss.

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

(b) Impairment of financial assets

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

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

The Group recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, instead of profit or loss.

b. Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

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



Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or is designated as at fair value through profit or loss.

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

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

#### Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### c. Derivative financial instruments

The Group holds derivative financial instruments to hedge its forward foreign currency exposures. Derivatives are recognized initially at fair value at the date the derivative contracts are entered into and are subsequently remeasured at their fair value at the end of each reporting period, and changes therein are recognized in profit or loss and presented under non-operating income and expenses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

### **(8) Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption

that the transaction to sell the asset or transfer the liability takes place either:

- a. In the principal market for the asset or liability, or
- b. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

#### **(9) Inventories**

Inventories are stated at the lower of cost or net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their existing location and condition. The cost of inventories is calculated using the weighted-average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less estimated costs of completion and the estimated costs necessary to make the sale.

#### **(10) Non-current Assets Held for Sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly

probable and the non-current asset is available for immediate sale in its present condition.

To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Intangible assets and property, plant and equipment would no longer be depreciated or amortized if those assets are classified as held for sale. So do the investments accounted for using equity method.

#### **(11) Investments Accounted for Using Equity - Investment in Associates**

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. When the Group holds 20% to 50% of the voting rights of the investee company, it assumes that it has significant influence and adopts equity evaluation.

Under the equity method, investments in associates are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill, which is arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Group and associates are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses exceeds its interest in associates, the carrying amount of that investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has a present legal or constructive obligation or has made payments on behalf of the investees.

## **(12) Property, Plant and Equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives:

Categories of assets	Years
Building	
Main Building	10~55
Decoration Works	2~30
Electrical and Mechanical Engineering	5~15
Machinery and Equipment	5~15
Telecommunications Equipment	2~10
Transportation Equipment	2~10
Furniture and Fixtures	2~10
Research Equipment	2~10
Tools and Sundry Equipment	2~10

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Land is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their

useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

### **(13) Investment Properties**

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

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method over the following estimated useful lives:

Categories of assets	Years
Building	
Main Building	10~55
Decoration Works	3~10
Electrical and Mechanical Engineering	3~15

The Group decides to transfer into or from investment properties in accordance with the actual purpose of asset.

### **(14) Leases**

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

#### **a. The Group as lessor**

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

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

b. The Group as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

## **(15) Intangible Assets**

### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

### **Other intangible assets**

Other separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the following estimated useful lives: computer software – 1~10 years; membership qualification of golf club acquired in Mainland China – 35 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

## **(16) Impairment of Non-Financial Assets**

### **Goodwill**

Goodwill is not amortized and instead is tested for impairment annually, or more frequently when there is an indication that the cash generating unit may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. If the recoverable amount of a cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

### **Other tangible and intangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to

determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### **(17) Provision**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.



## **(18) Treasury Stock**

The Group's own equity instruments repurchased are recognized at repurchase cost (including attributable cost) and deducted from equity.

Any difference between the carrying amount and the consideration is recognized in equity.

The parent company's shares held by the subsidiary are accounted for treasury stock, and the cash dividends, distributed from the parent company to the subsidiary, are classified under the capital surplus-transaction of treasury stock.

## **(19) Employee benefits**

### **a. Short-term employee benefits**

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

### **b. Pensions**

#### **(a) Defined contribution plans**

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

#### **(b) Defined benefit plans**

(i) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The net defined benefit obligation is calculated annually by

independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

- (ii) Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

c. Termination benefits

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

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

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

## **(20) Revenue Recognition**

### **a. Sale of Goods**

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

The Group recognized the trade receivable after the completion of installation of elevator and inspection by the competent authority to be qualified, when the group has the right to collect the consideration without any condition.

Any incremental cost incurred to obtain the contract would be capitalized as incremental cost for getting the contract within the scope of expected recovery, and be amortized in the same way followed by the recognition of revenue afterwards.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

### **b. Service provided**

The revenue of maintenance and repair stipulated in the contract, during the period of maintenance, is recognized when performance obligations are satisfied along with the time of services provided.

### **c. Rental, dividend and interest income**

Rental incomes are recognized on a straight-line basis over the lease term.

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

d. Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire noncurrent assets (mainly including land use right and depreciable assets) are recognized as a deduction from the carrying amount of the related assets and recognized as a reduced depreciation or amortization charge in profit or loss over the contract period or useful lives of the related assets.

**(21) Taxation**

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

Current tax

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

The additional income tax (5% reduced from 10% since 2018) on unappropriated earnings of the Company and subsidiaries in R.O.C. is recognized as income tax expense in the year the shareholders, meeting approves the appropriation of earnings which is the year subsequent to the year the earnings are generated.

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

In 2018, the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20% and integrated income tax system was abolished as well.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary

differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carry forwards and tax credits for research and development expenses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

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

#### Current and deferred tax for the year

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

**(22) Earnings per share**

Basic earnings per share of the Group is computed by dividing profit or loss attributable to the shareholders of the Company by the weighted-average number of common shares outstanding during the period. In computing diluted earnings per share, profit or loss attributable to the shareholders of the Company and the weighted-average number of common shares outstanding during the period are adjusted for the effects of dilutive potential common stock, assuming dilutive share equivalents had been issued.

The weighted-average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from retained earnings and capital surplus to common stock.

**(23) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results are reviewed regularly by the Group's chief operating decision maker to make decisions pertaining to the allocation of resources to the segment and to assess its performance. Meanwhile, discrete financial information for operating results is available.

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

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

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

The Group's critical accounting judgments and key sources of estimation and uncertainty are as below:

## **(1) Significant judgment of the application of accounting policies**

### **Recognition of gross revenue or net revenue**

The nature of commitment to client is either the performance obligation of which the specific goods or services are provided by the Group itself (i.e. the Group as the principal), or the performance obligation of which the goods or services are arranged and provided by the other party (i.e. the Group as agent), determined by the Group based on the type of transaction and its economic substance.

Before the Group transfer the specific goods or services to client, the Group controls the goods or services, then the Group is the principal, and the consideration, expected to entitle to get from the transfer of specific goods or services, is accounted for as the revenue. In case before the transfer of the goods or services to client, the Group doesn't control the goods or services, then the Group is agent, which means doing the arrangement of engaging the other party to provide the specific goods or services to client, and the arrangement is entitled to get any fee or commission which is charged as revenue.

The Group is determined to control the goods or services prior to the transfer of the specific goods or services to client, based on the following indicators:

- a. Responsible for the commitment of completing to provide the specific goods or services.
- b. Bearing the risk of inventory before the transfer of the specific goods or services to client or after the transfer of control.
- c. The price discretion to the specific goods or services.

## **(2) Significant accounting estimation and uncertainty**

### **a. Impairment of Tangible and Intangible Assets (Other than Goodwill)**

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of elevator industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years, see Notes 6(7) and 6(12).

**b. Impairment Assessment on Investment Using Equity Method**

The Group assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value may not be recoverable. The Group measures the impairment based on a projected future cash flow of the investees, including the underlying assumptions of sales growth rate and capacity utilization rate formulated by such investees' internal management team. The Group also takes into account market conditions and the relevant industry trends to ensure the reasonableness of such assumptions.

There is no indication of impairment of investment accounted for using the equity method in 2020 and 2019, respectively.

**c. Income Tax**

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies, see Note 6(23).



**d. Valuation of Inventory**

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgment and estimate to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid technological changes, the Group estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, see Note 6(5).

**e. Useful Lives of Property, plant and Equipment as well as Investment Properties**

The Group reviews the estimated useful lives of property, plant and equipment as well as investment properties periodically.

**f. Estimated impairment of financial assets**

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 6(4). Where the actual future cash inflows are less than expected, a material impairment loss may arise.

**6. Description of Major Accounting Items**

**(1) Cash and cash equivalents**

	December 31 2020	December 31 2019
Cash on hand	\$ 6,974	7,164
Deposits in banks		
Checking accounts	137,228	133,599
Demand deposits (including foreign currency deposits)	3,317,059	2,015,586
Cash equivalents		
Time deposits (including foreign currency deposits)	1,027,028	1,747,512
Total	<u>\$ 4,488,289</u>	<u>3,903,861</u>

a. The currency risk and sensitivity analysis of the Group's financial assets and liabilities was disclosed in the Note 13(1).d.

b. The Group had no cash and cash equivalents pledged as collateral.

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

	December 31 2020	December 31 2019
Mandatorily measured at FVTPL:		
Mutual funds and publicly traded stocks	\$ 857,397	791,342
Forward exchange contracts	3,104	(4,445)
Total	<u>\$ 860,501</u>	<u>786,897</u>
	December 31 2020	December 31 2019
Current	\$ 860,501	786,897
Non-current	-	-
Total	<u>\$ 860,501</u>	<u>786,897</u>

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

b. Outstanding forward exchange contracts consisted of the following:

	Currency	Maturity Date	Contract Amount (In Thousands)
Dec. 31, 2020	JPY/NT\$	Jan. 25, 2021 ~ Jun. 25, 2021	913,843
Dec. 31, 2019	JPY/NT\$	Jan. 22, 2020 ~Aug. 25, 2020	686,996

c. The Group disclosed the exposures of credit, currency and interest which were related with financial instruments in the Note 13.

d. The Group's financial assets were not pledged as collateral.

(3) Investments in Equity Instruments at FVTOCI

	December 31 2020	December 31 2019
Stocks listed on market - current	\$ 482,394	93,765
Unlisted stocks - non-current	87,487	87,487
	<u>\$ 569,881</u>	<u>181,252</u>

	December 31 2020	December 31 2019
Current	\$ 105,411	84,110
Non-current	464,470	97,142
	<u>\$ 569,881</u>	<u>181,252</u>

- a. These investments in equity instruments are not held for trading. Instead, they are held for prudent and conservative strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.
- b. TWNCAL, an investee company of the Group, has been accounted for using equity method. The Group recognized investment loss of 10,376 thousand by its share of profit or loss of investee company at first quarter in 2020. Due to sale of partial shares of TWNCAL in April, 2020, the Group ceased to have significant influence over TWNCAL and discontinued to use the equity method. The rest shares of 12,799,000 at its fair value of 243,181 thousand at that time were transferred to the accounting item-equity instruments at FVOCI-non-current. Please refer to NOTE 6(9).

(4) Notes and Accounts Receivable, net

	December 31 2020	December 31 2019
Notes receivable	\$ 377,660	312,562
Accounts receivable	4,292,653	3,751,494
Less: unrealized interest income	(2,345)	(1,763)
Less: allowance for doubtful accounts	(453,530)	(429,816)
Notes and accounts receivable, net	<u>\$ 4,214,438</u>	<u>3,632,477</u>

- a. The following table details the loss allowance of trade receivables based on the Group's provision matrix, please refer to Note 13.(1)b.(b) for more information.

December 31, 2020

Item	Not Past Due	Past Due 1~6 months	Past Due 6~12 months	Past Due Over 1 year	Total
Rate of expected credit loss computed using the weighted-average method	2.21%	4.39%	7.05%	30.43%	
Gross carrying amount	\$ 2,225,146	927,376	417,191	1,098,255	4,667,968
Loss allowance (Lifetime expected credit loss)	(49,256)	(40,685)	(29,392)	(334,197)	(453,530)
Amortized cost	\$ 2,175,890	886,691	387,799	764,058	4,214,438

December 31, 2019

Item	Not Past Due	Past Due 1~6 months	Past Due 6~12 months	Past Due Over 1 year	Total
Rate of expected credit loss computed using the weighted-average method	1.26%	2.80%	5.02%	38.18%	
Gross carrying amount	\$ 1,752,627	935,645	431,758	942,263	4,062,293
Loss allowance (Lifetime expected credit loss)	(22,083)	(26,220)	(21,656)	(359,857)	(429,816)
Amortized cost	\$ 1,730,544	909,425	410,102	582,406	3,632,477

- b. The movement of the loss allowance of trade receivables [including notes and accounts receivable (related parties included), overdue receivables and long-term notes receivable] was as follows:

December 31, 2020

	Notes & Accounts receivable (related Parties included)	Overdue Receivables	Long-Term Notes Receivable
Balance at January 1, 2020	\$ 429,816	1,042	189
Provision this year	32,419	-	-

Actual write-off during the year	(3,829)	-	-
Reclassified to notes and accounts receivable (long-term included)	763	(1,027)	264
Expected credit (gain)	(12,000)	-	-
Effect of exchange rate changes	6,424	-	-
Balance at December 31, 2019	<u>\$ 453,530</u>	<u>15</u>	<u>453</u>

December 31, 2019

	Notes & Accounts receivable (related Parties included)	Overdue Receivables	Long-Term Notes Receivable
Balance at January 1, 2019	<u>\$ 408,801</u>	<u>2,494</u>	<u>247</u>
Actual write-off during the year	(7,935)	-	-
Transferred to overdue receivable and long-term notes receivable	1,510	(1,452)	(58)
Recovery of uncollectible accounts written off	43,142	-	-
Effect of exchange rate changes	(15,702)	-	-
Balance at December 31, 2019	<u>\$ 429,816</u>	<u>1,042</u>	<u>189</u>

c. The main activity of Yungtay Elevator (China) is providing elevator of passenger for real estate development project. According to the custom of real estate industry, almost 5% of the proceeds of elevator sales are to be the guarantee deposit of the quality and quantity.

Not until the goods are verified by the buyer in one year or two years, can Yungtay Elevator (China) be entitled to receive the rest proceeds. The balance of the guarantee deposit of the quality and quantity included in the trade receivables was 280,482 thousand and 344,169 thousand as at

December 31, 2020 and 2019, respectively.

- d. The Group hasn't held any collateral, nor have the trade receivables pledged or discounting.

(5) Inventories

	December 31 2020	December 31 2019
Raw materials	\$ 841,219	675,497
Work in process	4,657,404	4,133,050
Finished goods (including Merchandise)	71,707	107,905
Construction in process	451,251	323,141
In-transit inventory	18,642	21,386
Subtotal	6,040,223	5,260,979
Less: allowance for inventory decline loss	(32,886)	(32,983)
Total	\$ 6,007,337	5,227,996

- a. Operating costs (excluding rental cost) which were related with inventories in 2020 and 2019, respectively, were as follows:

	December 31 2020	December 31 2019
Operating costs transferred from inventories	\$ 11,438,469	10,342,659
(Gain) from price recovery of inventory	(1,709)	(2,941)
Inventory decline loss	1,806	1,014
Revenue from sale of scraps	(28,651)	(22,128)
Loss from physical inventory taking	370	145
Underapplied overhead	71,733	128,198
Total	\$ 11,482,018	10,446,947

- b. On sake of recognizing the inventory decline loss resulting from not ideal with prior years' sales price of some contracts, the Company accounted for gain from price recovery of inventory of NT\$1,059 thousand and NT\$2,941 thousand in 2020 and 2019, respectively, as a result of selling out the aforementioned inventories when completed gradually.

- c. Due to the Company being not ideal with the contract case and unified purchase price, the net realizable value of the material PC board was lower than cost, resulting to decline loss of NT\$1,806 thousand and NT\$1,014

thousand in 2020 and 2019, respectively.

d. Yungtay (China) closed some end product in the previous year, thus some raw materials, which were provided to produce the end product, turned into obsolescent products and the loss from the decline of inventory were provided. Due to derecognition of some obsolescent products in 2020, the reverse gain from the decline of inventory was RMB 150 thousand (equivalent to NT\$650 thousand) accordingly.

e. The Group's inventories were not pledged, nor as collateral.

(6) Incremental costs of obtaining contracts and prepayments

	December 31 2020	December 31 2019
Incremental costs of obtaining contract		
– sales commission	\$ 228,799	186,195

The Group takes into account the past historical experience and the term of service contract, thus the Group recognizes the incremental cost-commission as the performance obligation of the contract is deemed to be recovered in full.

	December 31 2020	December 31 2019
Prepaid insurance	\$ 5,753	5,801
Prepaid rent	4,245	2,039
Prepayment for purchases		
Domestic purchases	68,090	50,386
Foreign purchases	2,935	14,998
Overpaid value-added tax	37,236	166,578
Others	12,417	6,328
Total	\$ 130,676	246,130

Prepayment for purchases was primarily aimed at purchases from installation agent prepaid by Yungtay (China) at the end of year; Overpaid value-added tax referred to value-added tax undeductible for purchases and additions to construction in progress of Yungtay (China).

(7) Non-current assets held for sale

- a. The movement of cost and impairment loss of the Group's non-current assets was as follows:

Cost

Balance at January 1, 2020	\$	72,803
Additions		-
Disposals		(14,899)
Transfers		15,615
Effect of exchange rate changes		1,141
Balance at December 31, 2020	\$	<u>74,660</u>

Balance at January 1, 2019	\$	57,904
Additions		-
Disposals		(29,978)
Transfers		47,534
Effect of exchange rate changes		(2,657)
Balance at December 31, 2019	\$	<u>72,803</u>

Impairment Loss

Balance at January 1, 2020	\$	(15,308)
Impairment loss		-
Effect of exchange rate changes		(238)
Balance at December 31, 2020	\$	<u>(15,546)</u>

Balance at January 1, 2019	\$	(5,737)
Impairment loss		(10,000)
Effect of exchange rate changes		429
Balance at December 31, 2019	\$	<u>(15,308)</u>

Carrying amount

Balance at December 31, 2020	\$	<u>59,114</u>
Balance at December 31, 2019	\$	<u>57,495</u>

- b. The recognized impairment (loss) of non-current assets held for sale was 0 and NT\$(10,000) thousand in 2020 and 2019, respectively, see Note 6(21).c.



- c. The non-current asset in 2020, which referred to Pudon Tompson Office, was disposed from Yungtay Elevator (China) to unrelated party. The disposal amount (untaxed) of the aforementioned asset held for sale was RMB 27,366 thousand (equivalent to NT\$118,292 thousand), less the related costs and expenses of RMB 4,423 thousand (equivalent to NT\$19,119 thousand) and the net gain on disposal of the aforementioned asset held for sale was RMB 22,943 thousand (equivalent to NT\$99,173 thousand). Furthermore, the Group had small amount of the gain on disposal of asset held for sale of RMB3,421 thousand (equivalent to NT\$14,787 thousand).
- d. For the purpose of complying with the related environmental comprehensive realignment program of Songjiang District, Shanghai, Yungtay Elevator (China) entered into an agreement with people's government of Jiuting Town, Songjiang District, Shanghai to relocate some premises located at Banting Rd., Jiuting Town, Songjiang District, Shanghai, which has been transferred and completed in July, 2019, along with getting the hand-over slip. As at December 31, 2019, there still was indemnities of RMB 13,243 thousand (equivalent to NT\$57,983 thousand) unreceived (accounted for as toher receivable). The resulting gain on disposal of the aforementioned premises was as follows:

	RMB (thousand)	Equivalent to NT\$ (thousand)
Revenue-compensation payments	\$ 66,214	289,916
Cost-noncurrent asset held for sale	(6,015)	(26,336)
land use right	(831)	(3,642)
Gain on disposal	\$ 59,368	259,938

- e. Net transferred amount in 2020 and 2019, respectively, was shown below:

	Years Ended December 31	
	2020	2019
Right-of-use assets transferred to non-current assets held for sale	\$ -	3,642
Non-current assets held for sale transferred from property, plant and equipment	58,559	45,309
Investment property transferred from non-current assets held for sale	(42,944)	(1,417)
Total	\$ 15,615	47,534

(8) Refundable deposits

	December 31 2020	December 31 2019
Bid bond for construction, and contract security deposit	\$ 438,767	276,478
Membership deposit for golf club	23,800	25,600
Membership deposit	400	400
Rental deposit	10,074	9,899
Depository court deposit	473	473
Others	1,689	1,679
Subtotal	475,203	314,529
Less: accumulated impairment loss	-	(1,800)
Total	\$ 475,203	312,729

	December 31 2020	December 31 2019
Current	\$ 335,757	200,534
Non-current	139,446	112,195
Total	\$ 475,203	312,729

- a. The Group provided bank savings to be collateral of contract security deposit and bank acceptance bill, please refer to related disclosure in Note 8.
- b. Accumulated impairment loss referred to the assessed impairment loss resulting from the ball card of golf club, which was hold by Taiwan Yungtay. In 2020, Yungtay returned its ball card, leading to the reverse gain of NT\$1,800 thousand.

(9) Investments accounted for using equity method

- a. Material associates: None.
- b. Aggregated information of associates that are not individually material was summarized as follows:

Associates-carrying amount	December 31 2020	December 31 2019
Taiwan Calsonic Co., Ltd. (TWNAL)	\$ -	200,986
Evest Corporation	146,778	131,448
Total	\$ 146,778	332,434

Details of investments accounted for using equity method were as follows:

Associates-% of ownership or voting rights		
Taiwan Calsonic Co., Ltd. (TWNCAL)	-	20.16%
Evest Corporation	41.22%	41.22%

(a) Associates

- (i) Among associates, only TWNCAL is listed company. It's fair value was as follows:

	December 31 2020	December 31 2019
Fair value (market price)	\$ -	395,385

- (ii) The financial information of the Group's associates was summarized as follows:

The Group's share of profit (loss) of associates	Years Ended December 31	
	2020	2019
Net income (loss) for the year	\$ 19,349	(14,895)
Other comprehensive loss	\$ (381)	(4,037)
Total comprehensive income (loss)	\$ 18,968	(18,932)

- (iii) The Group disposed the ordinary shares of 101,000 of TWNCAL with proceeds of NT\$1,916 thousand, thus the ownership interest held by the Group reduced to 19%. Upon loss of significant influence over TWNCAL, the Group derecognized the related recognized other comprehensive income of NT\$(21,130) thousand and capital surplus of NT\$1,731 thousand, and the disposal of the abovementioned shares of TWNCAL is recognized in net profit of NT\$37,605 thousand. The rest shares of 12,799,000 were measured at fair value of NT\$243,181 thousand at the time of disposal. Due to the expectation of obtaining stable dividends through investment, the Group believe that recognizing short-term fluctuations in these investment's fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. Accordingly, the Group elected to designate these investments in equity instruments as at FVTOCI – noncurrent. Please refer to Note 6(3).

- (b) No investments accounted for using equity method of the Group were pledged as collateral.
- (c) Due to the cease of using equity method to TWNCAL on April, 2020, the Group recognized share of profit or loss of its associates which financial statements as of March 31, 2020, were reviewed by CPA. The other associate, Evest Corporation, which financial statements were audited by other CPA.
- (d) The Group received the cash dividend of NT\$14,014 thousand and NT\$24,525 thousand from Evest Corporation in 2020 and 2019, respectively.
- (e) The related information of the Group's reinvestments and investment in Mainland China refers to Table 7 of Note 14(2) and Table 8 of Note 14(3), respectively.

(10) Property, plant and equipment

a. The movement of cost, depreciation and impairment loss of the Group's property plant and equipment was as follows:

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in progress	Total
<u>Cost</u>						
Balance at Jan. 1, 2020	\$ 1,094,926	4,147,425	2,303,191	1,365,005	53,948	8,964,495
Additions	3,750	10,645	44,671	50,274	74,917	184,266
Disposals	-	(36,176)	(23,990)	(55,158)	-	(115,324)
Transfers	-	(101,385)	2,162	47,331	(62,067)	(113,959)
Effect of exchange rate changes	-	47,041	27,474	15,489	945	90,949
Balance at Dec. 31, 2020	<u>\$ 1,098,676</u>	<u>4,067,559</u>	<u>2,353,508</u>	<u>1,422,941</u>	<u>67,743</u>	<u>9,010,427</u>
Balance at Jan. 1, 2019	\$ 1,094,926	4,419,194	2,367,608	1,399,040	1,581	9,282,349
Additions	-	5,297	16,504	35,969	55,750	113,520
Disposals	-	(17,626)	(13,114)	(34,515)	-	(65,255)
Transfers	-	(128,836)	5,171	5,000	(2,241)	(120,898)
Effect of exchange rate changes	-	(130,604)	(72,978)	(40,497)	(1,142)	(245,221)
Balance at Dec. 31, 2019	<u>\$ 1,094,926</u>	<u>4,147,425</u>	<u>2,303,191</u>	<u>1,365,005</u>	<u>53,948</u>	<u>8,964,495</u>
<u>Accumulated depreciation and impairment</u>						
Balance at Jan. 1, 2020		\$ (1,675,925)	(1,298,687)	(1,005,584)		(3,980,196)
Additions		(120,228)	(128,389)	(67,272)		(315,889)
Disposals		35,857	21,333	53,025		110,215
Transfers		40,340	2,262	33,786		76,388
Effect of exchange rate changes		(14,272)	(14,377)	(9,974)		(38,623)
Balance at Dec. 31, 2020		<u>\$ (1,734,228)</u>	<u>(1,417,858)</u>	<u>(996,019)</u>		<u>(4,148,105)</u>

Balance at Jan. 1, 2019	\$	(1,672,811)	(1,209,034)	(981,416)	(3,863,261)
Additions		(136,890)	(136,627)	(83,042)	(356,559)
Disposals		12,991	12,748	32,966	58,705
Transfers		63,880	-	19,821	83,701
Effect of exchange rate changes		56,905	34,226	6,087	97,218
Balance at Dec. 31, 2019	\$	<u>(1,675,925)</u>	<u>(1,298,687)</u>	<u>(1,005,584)</u>	<u>(3,980,196)</u>

Carrying amounts

Dec. 31, 2020	\$	<u>1,098,676</u>	<u>2,333,331</u>	<u>935,650</u>	<u>426,922</u>	<u>67,743</u>	<u>4,862,322</u>
Dec. 31, 2019	\$	<u>1,094,926</u>	<u>2,471,500</u>	<u>1,004,504</u>	<u>359,421</u>	<u>53,948</u>	<u>4,984,299</u>

- b. Major contracts of construction in progress refer to Note 9(7).
- c. The trade counterparts of equipments upon disposal were not related parties in 2020 and 2019, with net disposal gain of NT\$15,399 thousand and NT\$1,151 thousand, respectively and the carrying amount on disposal of equipments (scrapped equipments excluded) was NT\$2,660 thousand and NT\$762 thousand, respectively.
- d. The aforementioned assets were mortgaged to banks as collaterals, please refer to Note 8.
- e. The capitalization of borrowing interests attributable to the aforementioned assets was NT\$0 in 2020 and 2019, respectively.
- f. The significant part of the aforementioned property, plant and equipment is depreciated using the straight-line method over their estimated useful lives, please refer to Note 4(12).
- g. Prepayment for equipment of the Group referred to the prepayment for equipment and property, which was accounted for as the non-current assets due to delivery unfinished.
- h. The net transferred amount in 2020 and 2019, respectively, was shown below:

	Years Ended December 31	
	2020	2019
Transferred to non-current assets held-for-sale	\$ (58,559)	(45,309)
Transferred to unfinished construction traded in accounts receivable	363	-
Transferred to building from accounts receivable	8,408	-

Inventories transferred to property, plant and equipment	10,478	1,947
Prepayment for equipment transferred to all kinds of equipment and construction in progress	2,488	6,165
Property, plant and equipment transferred (from) to investment property	(749)	-
Total	<u>\$ (37,571)</u>	<u>(37,197)</u>

(11) Right-of-use assets

- a. The movements in the cost, depreciation and impairment loss of the Company's right-of-use assets were as follows:

	Land	Buildings	Total
<u>Cost or deemed cost</u>			
Balance at January 1, 2020	\$ 286,114	51,359	337,473
Additions	-	6,485	6,485
Transfers	-	-	-
Exchange effect	4,459	517	4,976
Balance at December 31, 2020	<u>\$ 290,573</u>	<u>58,361</u>	<u>348,934</u>
Balance at January 1, 2019	\$ 305,587	7,792	313,379
Additions	-	44,328	44,328
Transfers	(7,467)	-	(7,467)
Exchange effect	(12,006)	(761)	(12,767)
Balance at December 31, 2019	<u>\$ 286,114</u>	<u>51,359</u>	<u>337,473</u>
<u>Accumulated depreciation and impairment losses</u>			
Balance at January 1, 2020	\$ (70,843)	(14,926)	(85,769)
Depreciation	(5,829)	(21,374)	(27,203)
Transfers	-	-	-
Exchange effect	(1,151)	(245)	(1,396)
Balance at December 31, 2020	<u>\$ (77,823)</u>	<u>(36,545)</u>	<u>(114,368)</u>
Balance at January 1, 2019	\$ (71,554)	-	(71,554)
Depreciation	(6,004)	(15,110)	(21,114)

Transfers	3,825	-	3,825
Exchange effect	2,890	184	3,074
Balance at December 31, 2019	<u>\$ (70,843)</u>	<u>(14,926)</u>	<u>(85,769)</u>

Carrying amounts

December 31, 2020	<u>\$ 212,750</u>	<u>21,816</u>	<u>234,566</u>
December 31, 2019	<u>\$ 215,271</u>	<u>36,433</u>	<u>251,704</u>

b. The aforementioned land referred to the right-of-use assets-land reclassified from long-term prepaid rents in January 1, 2019, which Yungtay Elevator (China), Yungtay Elevator Tianjin (China), Yungtay Elevator Sichuan (China) and Jiye Electric Co. (Shanghai, China) have leased from Mainland China on a straight-line basis over the lease terms of 50years.

c. The net amount of transterral in 2020 and 2019, respectively was as follows:

	Years Ended December 31	
	2020	2019
Noncurrent assets held for sale transferred from right-of-use assets	<u>\$ -</u>	<u>(3,642)</u>

d. The items of liabilities and profit or loss associated with lease contracts please refer to Note 6(16) for details.

(12) Investment properties, net

a. The movement of cost, depreciation and impairment loss of the Group's investment properties was as follows:

	Land	Buildings	Total
<u>Cost or Deemed Cost</u>			
Balance at Jan. 1, 2020	\$ 599,358	414,259	1,013,617
Disposals	-	(13,928)	(13,928)
Transfers	-	51,330	51,330
Effect of exchange rate changes	-	1,765	1,765
Balance at Dec. 31, 2020	<u>\$ 599,358</u>	<u>453,426</u>	<u>1,052,784</u>

Balance at Jan. 1, 2019	\$	599,358	427,934	1,027,292
Disposals		-	(11,483)	(11,483)
Transfers		-	1,916	1,916
Effect of exchange rate changes		-	(4,108)	(4,108)
Balance at Dec. 31, 2019	\$	<u>599,358</u>	<u>414,259</u>	<u>1,013,617</u>

Accumulated depreciation and impairment

Balance at Jan. 1, 2020	\$	(818)	(211,559)	(212,377)
Depreciation expense		-	(11,311)	(11,311)
Disposals		-	7,216	7,216
Impairment loss		-	(5,477)	(5,477)
Transfers		-	(7,637)	(7,637)
Effect of exchange rate changes		-	(531)	(531)
Balance at Dec. 31, 2020	\$	<u>(818)</u>	<u>(229,299)</u>	<u>(230,117)</u>

Balance at Jan. 1, 2019	\$	(818)	(208,362)	(209,180)
Depreciation expense		-	(7,510)	(7,510)
Disposals		-	3,680	3,680
Transfers		-	(499)	(499)
Effect of exchange rate changes		-	1,132	1,132
Balance at Dec. 31, 2019	\$	<u>(818)</u>	<u>(211,559)</u>	<u>(212,377)</u>

Carrying amounts

Dec. 31, 2020	\$	<u>598,540</u>	<u>224,127</u>	<u>822,667</u>
Dec. 31, 2019	\$	<u>598,540</u>	<u>202,700</u>	<u>801,240</u>

		Years Ended December 31	
		2020	2019
The rental income from investment properties	\$	25,681	25,492
Less: Direct operating expenses arising from the investment property that generated rental income during the period		(1,779)	(1,618)
Direct operating expenses arising from the investment property that did not generate rental income during the period		(61)	(68)
Total	\$	<u>23,841</u>	<u>23,806</u>



- b. The net transferred amount in 2020 and 2019, respectively, was shown below:

	Years Ended December 31	
	2020	2019
Non-current assets held for sale unsold over 2 years transferred to investment properties	\$ 42,944	1,417
Land and building transferred to investment properties	749	-
Total	\$ 43,693	1,417

- c. The counterparties on disposal of equipment were non-related parties in 2020 and 2019, respectively, and net gain (loss) on disposal was NT\$1,319 thousand and NT\$1,065 thousand, with carrying amounts of NT\$6,712 thousand and NT\$7,803 thousand, in 2020 and 2019, respectively.
- d. The aforementioned assets were mortgaged to banks as collaterals, please refer to Note 8.
- e. In order to get the information of the fair value of the Company's investment properties, the Company referred to the actual registered selling prices of the nearby real estates provided by local agents in R.O.C., and the fair value of Yungtay Elevator (China) Company's investment properties was referred to the information regarding the transaction price of the nearby real estates provided by the agent company in the territory of China. The market price of the aforesaid investment properties was NT\$1,693,653 thousand and NT\$1,757,190 thousand as at December 31, 2020 and 2019, respectively.
- f. There is no significant part to the aforesaid investment properties, and the depreciation is calculated using the estimated useful lives, please refer to Note 4(13).

(13) Intangible assets

- a. The movement of cost, amortization and impairment loss of the Group's intangible assets was as follows:

	Computer Software	Membership Qualification of Golf Club	Total
<u>Cost</u>			
Balance at Jan. 1, 2020	\$ 98,051	10,296	108,347
Additions	6,763	-	6,763
Elimination	(13,613)	-	(13,613)
Transfers	1,102	-	1,102
Effect of exchange rate changes	1,276	161	1,437
Balance at Dec. 31, 2020	<u>\$ 93,579</u>	<u>10,457</u>	<u>104,036</u>
Balance at Jan. 1, 2019	\$ 125,550	10,723	136,273
Additions	443	-	443
Elimination	(23,717)	-	(23,717)
Transfers	(533)	-	(533)
Effect of exchange rate changes	(3,692)	(427)	(4,119)
Balance at Dec. 31, 2019	<u>\$ 98,051</u>	<u>10,296</u>	<u>108,347</u>
<u>Accumulated amortization and impairment</u>			
Balance at Jan. 1, 2020	\$ (68,381)	(1,642)	(70,023)
Additions	(11,129)	(296)	(11,425)
Elimination	13,613	-	13,613
Transfers	-	-	-
Effect of exchange rate changes	(898)	(28)	(926)
Balance at Dec. 31, 2020	<u>\$ (66,795)</u>	<u>(1,966)</u>	<u>(68,761)</u>
Balance at Jan. 1, 2019	\$ (82,247)	(1,404)	(83,651)
Additions	(12,804)	(300)	(13,104)
Disposals	-	-	-
Elimination	23,717	-	23,717
Impairment loss	533	-	533
Effect of exchange rate changes	2,420	62	2,482
Balance at Dec. 31, 2019	<u>\$ (68,381)</u>	<u>(1,642)</u>	<u>(70,023)</u>
<u>Carrying amounts</u>			
Dec. 31, 2020	<u>\$ 26,784</u>	<u>8,491</u>	<u>35,275</u>
Dec. 31, 2019	<u>\$ 29,670</u>	<u>8,654</u>	<u>38,324</u>

- b. The intangible assets other than goodwill were depreciated using the straight-line method over their useful lives, please refer to Note 4(15) for details.

(14) Contract liabilities-current

	December 31 2020	December 31 2019
Elevator	\$ 6,182,858	6,042,973
Construction machinery	23,613	32,489
Rental	1,529	1,520
Others	2,553	-
Total	<u>\$ 6,210,553</u>	<u>6,076,982</u>

(15) Other payables

	December 31 2020	December 31 2019
Accrued bonus, wages and welfare fee	\$ 425,493	407,081
Accrued value-added tax payable	65,032	93,490
Accrued agency commission	177,234	153,784
Compensation payable to employees and directors	57,120	53,450
Payables on equipment	9,634	16,478
Accrued short-term paid leave payable (refer to Note 6(18).c.)	57,661	49,123
Other payables-other	147,606	139,205
Total	<u>\$ 939,780</u>	<u>912,611</u>

(16) Lease liabilities

	Dec. 31 2020 Future Minimum Lease Payments	Year Ended Dec. 31 2020 Interest	Dec. 31 2020 Present Value of Minimum Lease Payments
Not later than 1 year	\$ 14,736	414	14,322
Later than 1 year and not later than 5 years	8,234	205	8,029
Later than 5 years	-	-	-
	<u>\$ 22,970</u>	<u>619</u>	<u>22,351</u>
Current	<u>\$ 14,736</u>	<u>414</u>	<u>14,322</u>
Noncurrent	<u>\$ 8,234</u>	<u>205</u>	<u>8,029</u>

		Year Ended Dec. 31	
	Dec. 31 2019	2019	Dec. 31 2019
	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Not later than 1 year	\$ 18,770	714	18,056
Later than 1 year and not later than 5 years	19,125	410	18,715
Later than 5 years	100	-	100
	<u>\$ 37,995</u>	<u>1,124</u>	<u>36,871</u>
Current	<u>\$ 18,770</u>	<u>714</u>	<u>18,056</u>
Noncurrent	<u>\$ 19,225</u>	<u>410</u>	<u>18,815</u>

The Group had no significant increase or decrease in lease liabilities, resulting from the addition or termination of lease contract in 2020 and 2019, respectively.

Amounts recognized in profit or loss were as follows:

	Year Ended December 31	
	2020	2019
Interest expense on lease liabilities	<u>877</u>	<u>913</u>
Expense relating to short-term leases	<u>32,036</u>	<u>38,060</u>
Expense relating to leases of low-value assets (excluding short-term leases of low-value assets)	<u>2,540</u>	<u>3,455</u>

Amounts recognized in the statements of cash flows were as follows:

	Year Ended December 31	
	2020	2019
Rental expense	\$ 34,576	41,515
Interest expense	877	913
Repayments of lease	21,882	15,576
Total cash outflows for leases	<u>\$ 57,335</u>	<u>58,004</u>

a. Leases of lands and buildings

The Group leases lands and buildings as plant, branch offices and substation, with lease terms of almost 50 years for land, and with lease terms of 2 to 4 years.

Lease payments of some contracts will be subject to the change of local price index. And some lease contracts contain the options of extending the lease terms. Those contracts are managed by district, respectively. The specific terms and conditions of every contract are quite different within the Company. The Group is entitled to the options of implementation to which the lessor is not entitled. Under failure to make sure reasonably of the options of implementation of extending the lease terms, the related lease payments of the covering periods accompanied by the options will not be accounted for as the lease liabilities.

b. Others

The Group elects, when applying exemption to some contracts, not to recognize lease liabilities and right-of-use assets for leasing some office equipments, company's branch office and substation, on account of either short-term leases within 1 year or leases of low value, and shall instead recognize the lease payments associated with those leases as an expense.

(17) Guarantee deposits received

	December 31 2020	December 31 2019
Guarantee deposit from agent's installation	\$ 102,884	111,011
Tender security	75,879	89,466
Rental deposit	4,631	4,586
Other	-	509
Total	<u>\$ 183,394</u>	<u>205,572</u>
Current	\$ 24,083	20,444
Non-current	159,311	185,128
Total	<u>\$ 183,394</u>	<u>205,572</u>

(18) Employees' retirement benefit plans

a. Defined benefit plans

The amounts arising from the defined benefit obligation of the Group were as follows:

	December 31 2020	December 31 2019
Present value of defined benefit obligation	\$ (1,648,080)	(1,620,407)
Plan assets at fair value	1,388,151	1,289,709
Net defined benefit liability	<u>\$ (259,929)</u>	<u>(330,698)</u>

The Group has defined benefit plans under the R.O.C. Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Group contributes an amount equal to 15% of salaries paid each month to their respective pension funds (the Funds) in 2020 and 2019, which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Group assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in once or several times appropriation. The Funds are operated and managed by the government's designated authorities; as such, the Group does not have any right to intervene in the investments of the Funds.

(a) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by Supervisory Committee of the Labor Retirement Fund, Council of Labor Affairs, Executive Yuan. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance and Nan shan life insurance nonforfeiture values amounted to NT\$1,388,151 thousand as of December 31, 2020. For information on

the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of Supervisory Committee of the Labor Retirement Fund, Council of Labor Affairs, Executive Yuan.

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

	Years Ended December 31	
	2020	2019
Balance, beginning of year	\$ 1,620,407	1,679,914
Current service cost and interest expense	28,483	33,948
Net remeasurements on defined benefit liabilities:		
- Actuarial loss arising from experience adjustments	43,545	(18,576)
- Actuarial loss arising from changes in demographic assumptions	-	-
- Actuarial loss (gain) arising from changes in financial assumptions	53,246	6,960
Benefits paid	(91,863)	(81,839)
Effect of plan settlements	(5,738)	-
Balance, end of year	\$ 1,648,080	1,620,407

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

	Years Ended December 31	
	2020	2019
Balance, beginning of year	\$ 1,289,709	1,166,392
Interest income	8,998	8,745
Net remeasurement on defined benefit assets:		
Return on plan assets (excluding the interest expense)	43,250	43,715
Contributions paid by employer	138,057	152,696
Benefits paid	(91,863)	(81,839)
Balance, end of year	\$ 1,388,151	1,289,709

- (d) The pension costs of the aforementioned defined benefit plans were recognized in profit or loss by the following categories:

	Years Ended December 31	
	2020	2019
Operating cost	\$ 11,721	20,016
Administrative expenses	4,622	2,768
Research and development expenses	2,421	2,419
Pension costs	\$ 18,764	25,203

- (e) Gain (Loss) of remeasurement of the defined benefit plans after income tax recognized in other comprehensive income:

	Years Ended December 31	
	2020	2019
Recognized for the year	\$ (42,833)	44,265
Accumulated amount	\$ (228,459)	(185,626)

- (f) Actuarial assumptions

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

	December 31 2020	December 31 2019
Discount rate	0.30%	0.70%
Expected rate of salary increase	2.00%	2.00%

- (g) Historical information in relation to experience adjustments

The movement of the present value of defined benefit obligation for the years ended December 31, 2020 and 2019, respectively, was set forth below:

	December 31 2020	December 31 2019
Present value of defined benefit plan	\$ (1,648,080)	(1,620,407)
Plan assets at fair value	1,388,151	1,289,709
Net defined benefit liability	\$ (259,929)	(330,698)
Experience adjustments of present value of defined benefit plan	\$ (43,545)	18,576
Experience adjustments of fair value of plan assets	\$ 43,250	43,715



The Company expects to make contributions of NT\$68,330 thousand to the defined benefit plans in the next year starting from December 31, 2020. The weighted average duration of the defined benefit obligation is 8 years.

- (h) When computing the present value of defined benefit obligation, the Company has to make judgment and estimation to determine the relevant actuarial assumption at the balance sheet date, including the change of discount rate and future salary. The Company's defined benefit obligations would be affected significantly due to the change of any actuarial assumption.

As at December 31, 2020, the carrying amount of the Company's net defined benefit liabilities was NT\$259,929 thousand. When the discount rate is increasing 0.25% or decreasing 0.25%, the Company's recognized net defined benefit liabilities will decrease NT\$33,408 thousand or increase NT\$34,433 thousand; When the rate of future salary increase is increasing 0.25% or decreasing 0.25%, the Company's recognized net defined benefit liabilities will increase NT\$33,767 thousand or decrease NT\$32,939 thousand.

b. Defined contribution plans

The plan under the R.O.C. Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Act, the Group has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, the subsidiaries in the territory of Mainland China also make monthly contributions at certain percentages of the basic salary of their employees. Accordingly, the Group recognized expenses of NT\$164,126 thousand and NT\$296,729 thousand for the years ended December 31, 2020 and 2019, respectively.

c. Short-term paid leave payable

The Group recognized short-term paid leave payable of NT\$57,661 thousand and NT\$49,123 thousand as of December 31, 2020 and 2019, respectively.

(19) Equity

a. Capital stock

	December 31 2020	December 31 2019
(a) Authorized shares (in thousands)	460,000	460,000
Authorized capital (in thousands)	\$ 4,600,000	4,600,000
Issued and paid shares (in thousands)	410,820	410,820
Issued capital (in thousands)	\$ 4,108,200	4,108,200

(b) The Company has 408,690,200 ordinary shares outstanding at the beginning and the ending of year (the treasury stocks of 2,129,800 shares excluded), for the years ended December 31, 2020 and 2019.

b. Capital surplus

Under the Company Law, the capital surplus generated from the excess of the issuance price over the par value of capital stock (including the stock issued for new capital and mergers) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be appropriated as stock dividends, which are limited to not more than 10% of the Company's paid-in capital.

c. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and then set aside the following items accordingly:

- (a) Legal reserve at 10% of the remaining profit;
- (b) Special reserve in accordance with the resolution in the shareholders' meeting;
- (c) Any balance remaining shall be allocated according to the resolution in the shareholders' meeting.

The Company's profit distribution, at least 50% of which should be dividends and the proportion of cash dividends shall be at least 50% of the total dividends, depending on future expansion plans and cash needs.

The appropriation for legal reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses to the extent that the portion exceeds 25% of the paid-in capital if the Company incurs no loss.

A special reserve equivalent to the net debit balance of other components of shareholders' equity such as exchange differences on the translation of foreign operations, shall be made from unappropriated earnings. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings for 2019 and 2018 were approved in the Company shareholders' meetings held on June 18, 2020 and June 18, 2019, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2019	For Fiscal Year 2018	For Fiscal Year 2019	For Fiscal Year 2018
Legal reserve	\$ 93,967	67,474	-	-
Special reserve	\$ 306,716	923	-	-
Cash dividends to shareholders	\$ 903,804	739,476	2.2	1.8

The Company's appropriation of earnings for 2020 is not yet proposed in the Board of Directors meeting held on March 26, 2021.

The appropriation of earnings for 2019 was resolved in the Company shareholders' meeting which was held on June 18, 2020, and please go to the Market Observation Post System website of the Taiwan Stock Exchange for information on the appropriation of earnings for 2019.

d. Employees' compensation and remuneration to directors

(a) According to the Articles of Incorporation of the Company, the ratio of no less than 1% of pre-tax profit before the distribution of employees' compensation and remuneration for directors for employees' compensation and no more than 1% for directors' remuneration were accrued in 2020 and 2019, respectively, as follows:

	Years Ended December 31			
	2020		2019	
	Cash	Stock	Cash	Stock
Employees' compensation \$	48,600	-	44,978	-
Directors' remuneration \$	5,400	-	4,998	-

If the aforementioned amounts has changed after the annual financial reports being authorized for issue, the difference would be treated as a change in the accounting estimate and recognized as next year's profit or loss.

- (b) The employees' compensation and directors' remuneration for 2019 and 2018 resolved by the Board of Director convened on March 25, 2020 and May 13, 2019, respectively, were as follows:

	Years Ended December 31			
	2019		2018	
	Cash	Stock	Cash	Stock
Employees' compensation	\$ 45,354	-	38,249	-
Directors' remuneration	\$ 5,039	-	4,250	-

The discrepancy between the actual distributed amount resolved by the Board of Directors and the estimated figure recognized in the annual financial report, are recorded as a change in the accounting estimate and recognized as next years' profit or loss.

The information on the employees' compensation and directors' remuneration can be obtained from the Market Observation Post System on the website of the Taiwan Stock Exchange.

e. Other equity

- (a) Exchange differences on translation of foreign operations

		Years Ended December 31	
		2020	2019
Balance, beginning of year	\$	(284,952)	24,756
Exchange differences arising on translation of foreign operations		97,462	(303,556)
Shares of other comprehensive income (loss) of associates accounted for using equity method		(1,825)	6,152
Derecognition-other comprehensive income of disposal of partial investment in associate accounted for using equity method (Note 6(9))		20,350	-
Balance, end of year	\$	(168,965)	(284,952)

(b) Unrealized gain (loss) on financial assets at FVTOCI

	Years Ended December 31	
	2020	2019
Balance, beginning of year	\$ (22,687)	(25,679)
Share of unrealized gains (losses) on revaluation of financial assets at FVTOCI of associates accounted for using equity method	(661)	7,009
Derecognition-disposal of financial assets at FVTOCI of associates accounted for using equity method (Note 6(9))	780	-
Derecognition-accumulated profits (losses) transferred to retained earnings of investments in equity instruments designated at FVTOCI of associates accounted for using equity method	-	(2,002)
Derecognition-accumulated profits (losses) transferred to retained earnings of investments in equity instruments designated at FVTOCI	(4,417)	-
Unrealized gains (losses) on revaluation of financial assets at FVTOCI (Note)	116,096	(2,015)
Balance, end of year	\$ 89,111	(22,687)

The equity instruments at FVTOCI are measured at fair value, the changes of fair value in the subsequent period are accounted for other comprehensive income (loss) and accumulated into other equity. The cumulative unrealized gain or loss of equity instruments is directly transferred to retained earnings rather than reclassified to profit or loss when disposal.

(Note): Mainly referred to the rest shares of TWNCAL, which is designated at FVTOCI-noncurrent, after disposal of partial shares of TWNCAL in 2020 pursuant to the purpose of investment. The changes on revaluation of the aforementioned financial assets at FVTOCAL is accumulated in the account of other equity. Please refer to 6(9).

f. Treasury stock

The purpose of the Company's shares held by the subsidiary "Yungjiun" is to reduce the outstanding shares of the Company and accordingly to raise the earning per share and rate of return on equity. The relevant information in respect of the Company's share held by the subsidiary "Yungjiun" was as follows:

	Holding Shares	Initial Cost	Market Price
December 31, 2020	2,129,800	69,411	133,538
December 31, 2019	2,129,800	69,411	136,946

(20) Operating revenue

The relevant information of the Group's revenue from contracts with customers for the years ended December 31, 2020 and 2019, respectively, was as follows:

	Years Ended December 31	
	2020	2019
Net revenue from sales of goods	\$ 10,671,421	9,296,121
Net revenue from services		
Maintenance and repair	4,621,603	4,396,753
Rental	25,727	25,474
Total	\$ 15,318,751	13,718,348

- a. The above-mentioned revenue of maintenance and repair is deferred based on the fair value of providing services when the Group sells the goods during the period of quality guarantee by individual contract, and the revenue of maintenance and repair is recognized by using straight-line method when providing services.
- b. The deferred revenue is classified as current and noncurrent in accordance with the length of service as follows:

	December 31 2020	December 31 2019
Current	\$ 227,556	209,403
Non-current	\$ 115,458	86,700

c. Rental refers to the revenue from leasing investment property and computer host. Revenue is recognized when completing the performance obligation of the contract.

d. Disaggregation of revenue from contracts with customers

Please refer to Note 15: Segments Information (2).

e. Contract balances

Contract liabilities-current

	Beginning balance	Ending balance	Difference
Sales of goods	\$ 6,076,982	6,210,553	133,571

f. Incremental costs of obtaining contracts

Please see Note 6(6).

(21) Non-operating income and expenses

	Years Ended December 31	
	2020	2019
a. Government grants	\$ 14,593	12,972
b. <u>Other gains and losses</u>		
Net gain (loss) on financial assets at FVTPL	\$ 16,258	3,421
Impairment (loss) –Investment properties	(5,477)	-
Impairment (loss) -non-current assets held for sale	-	(10,000)
Gain on reversal of impairment-financial assets	1,800	-
Net gain on disposal of property, plant and equipment	15,399	1,151
Gain (loss) on disposal of investment properties	1,319	1,065
Net gain on disposal of partial investment in associates accounted for using equity method	37,605	-
Net gain on disposal of non-current assets held for sale	113,960	259,938

Net (loss) on obsolescence of property, plant and equipment	(2,449)	(5,788)
Penalty and compensation income	9,120	4,929
Foreign exchange gain (loss), net	25	850
Other income transferred from overdue consignment fee accrued	11,646	11,159
Other gains	32,010	34,052
Total	<u>\$ 231,216</u>	<u>300,777</u>

c. Finance costs

Interest expense	\$ (83)	(50)
Interest expense on lease liabilities	(877)	(913)
Total	<u>\$ (960)</u>	<u>(963)</u>

- (a) Penalty and compensation income referred to the confiscated deposits due to the customers' failure of implementing the contract of purchases.
- (b) The net gain on disposal of partial investment in associates accounted for using equity method was NT\$37,605 thousand, and the content of transaction please refer to Note 6(9).
- (c) There was little probability for the payment of overdue consignment fee accrued in Yungtay Elevator (China), thus the consignment fee accrued was reclassified under other income due to overdue for 5 years.
- (d) Government subsidy income referred to various financial subsidy income carried out in Mainland China in 2020 during the period of COVID-19 pandemic, and the government of Mainland China implemented some policies for stabilizing employment and stabilized the business operations and reduced layoffs. Consequently, the Group got the related subsidy income of NT\$8,753 thousand together with the medical and social insurance subsidy of NT\$3,754 thousand and others of NT\$2,086 thousand.



(22) Summary of employee benefits, depreciation and amortization expenses by function:

	2020			2019		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits expenses						
Salaries	2,098,288	1,271,144	3,369,432	1,987,451	1,172,549	3,160,000
Labor and health insurance	170,858	78,716	249,574	194,068	90,503	284,571
Pension cost	115,074	71,155	186,229	193,800	131,614	325,414
Other benefits expenses	204,896	81,348	286,244	202,314	71,723	274,037
Depreciation expenses	197,090	130,110	327,200	211,199	152,870	364,069
Depreciation expenses-right-of-use assets	20,129	7,074	27,203	14,336	6,778	21,114
Amortization expenses	108	11,317	11,425	110	12,994	13,104

As of December 31, 2020 and 2019, the Group had employees of 5,248 and 5,165, respectively, and the computing basis was consistent with that of employee benefits expenses.

Due to the COVID-19 pandemic, China Tax authority has implemented the policy of insurance premium reduction to all companies in Mainland China. So, the pension cost was reduced compared to that of last year.

(23) Income tax

a. Major components of income tax expense were as follows:

	Years Ended December 31	
	2020	2019
Current income tax expense		
Current tax expense recognized in the current year	\$ 301,173	279,764
Income tax on unappropriated earnings	1,647	2,617
Investment tax credit	(3,000)	(3,000)
Withholding tax for dividends income pursuant to Regulations of Repatriated Offshore Funds	30,782	-
	330,602	279,381
Deferred income tax expense (benefit)		
Temporary differences (Note)	(54,582)	(13,673)
Income tax expense recognized in profit or loss	\$ 276,020	265,708

(Note): The effect of exchange rate changes was included in the difference between deferred income tax (benefit) and deferred income tax assets and liabilities.

b. Income tax expense (benefit) recognized in other comprehensive income

	Years Ended December 31	
	2020	2019
Related to remeasurement of defined benefit obligation	\$ (10,708)	11,066

c. A reconciliation of accounting income before income tax and income tax expense recognized in profit or loss was as follows:

	Years Ended December 31	
	2020	2019
Income before tax	\$ 1,621,367	1,245,157
Income tax expense at the statutory rate	\$ 345,502	265,271
Tax effect of adjusting items:		
Deductible items in determining taxable income	(44,329)	15,254
Undeductible loss carryforward	-	(761)
Additional income tax on unappropriated earnings	1,647	2,617
Tax effect of investment tax credits	(3,000)	(3,000)
The origination and reversal of temporary differences	(54,582)	(13,673)
Withholding tax for dividends income pursuant to Regulations of Repatriated Offshore Funds	30,782	-
Income tax expense recognized in profit or loss	\$ 276,020	265,708

d. The analysis of deferred income tax assets and liabilities in the consolidated balance sheets was as follows:

	Years Ended December 31	
	2020	2019
Deferred income tax assets		
Differences of time of recognized revenue	\$ 304,384	253,742
Short-term employees' benefits	12,259	10,934
Bad debts loss	108,232	99,278

Loss provision for non-current assets held for sale and investment properties	5,579	4,135
Accrued expenses	43,397	38,446
Unrealized net sales profit among parent and subsidiaries	15,989	10,673
Differences of depreciation expenses pertained to years	46	92
Unrealized foreign exchange loss	6,455	6,746
Unrealized investment loss of investee co.	1,826	1,826
Temporary credits overdue 2 years	101	-
Difference of pension appropriation	51,986	66,140
Undeductible loss carryforward	137,581	124,096
Total	<u>\$ 687,835</u>	<u>616,108</u>
Deferred income tax liabilities		
Land incremental tax	\$ (2,702)	(2,702)
Temporary differences of depreciation expense	(964)	(2,173)
Total	<u>\$ (3,666)</u>	<u>(4,875)</u>

e. Income tax assessments

The tax authorities have examined and approved the income tax returns of the Company through 2018.

(24) Earnings per share

The Company is said to have a simple capital structure, accordingly, there is no necessity to compute the diluted earnings per share. The information of computing the basic earnings per share and the weighted-average number of common stocks outstanding (treasury stocks excluded) was as follows:

	Years Ended December 31	
	2020	2019
Net income available to common shareholders of the parent	1,309,100	939,668
The weighted-average number of shares outstanding in computing the basic earnings per share	408,690,200	408,690,200
Basic earnings per share (NT\$)	3.20	2.30

(25) Non-cash transactions in the Statements of Cash Flows

Only partial cash paid in investing activities:

	Years Ended December 31	
	2020	2019
Acquisition of property, plant and equipment	\$ 184,266	113,520
Plus: payables on equipment at beginning of year	16,478	14,676
Less: payables on equipment at ending of year	(9,634)	(16,478)
Effect of exchange rate changes	202	(634)
Cash paid in the year	\$ 191,312	111,084

	Years Ended December 31	
	2020	2019
Disposal of noncurrent assets held for sale	\$ 128,859	289,916
Plus: beginning proceeds from disposal of equipment receivable (accounted for other receivable)	56,816	-
Less: Ending proceeds from disposal of equipment receivable (accounted for other receivable)	-	(56,816)
Effect of exchange rate changes	427	(1,167)
Cash received for current year	\$ 186,102	231,933

	Years Ended December 31	
	2020	2019
Disposal of property, plant and equipment	\$ 18,059	1,913
Plus: beginning proceeds from disposal of equipment receivable (accounted for other receivable)	-	-
Less: Ending proceeds from disposal of equipment receivable (accounted for other receivable)	(10,546)	-
Effect of exchange rate changes	84	-
Cash received for current year	\$ 7,597	1,913

## 7. Related party transactions

Intercompany balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation; therefore those items are not disclosed in this note. The following is a summary of significant transactions between the Group and other related parties:

### (1) Related party name and categories

Related Party Name	Related Party Categories
Taiwan Calsonic Co., Ltd. ("TWNAL")	The Company as the director of TWNCAL
Japan Hitachi Construction Machinery Co., Ltd. ("JHCCM")	Other related party - Investing company accounted for using equity method to YHCCM, subsidiary of the Company
Evest Corporation ("Evest")	Associate
Hitachi, Ltd. and its subsidiaries ("Hitachi, Ltd.")	Hitachi, Ltd. as the representative of director of the Company
Yungtay Education and Culture Foundation ("YECF")	Main Donee of the Company
Yungtay Social Welfare Foundation ("YSWF")	Main Donee of the Company
All directors and the Group's key management (including general manager and executive vice presidents)	

### (2) Significant transactions between the Group and related parties:

#### a. Sales revenue

Related Party Categories	Years Ended December 31	
	2020	2019
Hitachi, Ltd.	\$ 28,473	27,918

The rail connecting plates have been sold by the Group to Hitachi, Ltd. Due to no other similar products sold to non-related parties, there is no identical transaction with which to compare. Consequently, the aforementioned products have been sold on condition of sales price and terms as agreed and the payments are collected from 1 month to 3 months after the delivery of goods.

b. Maintenance Revenue

Related Party Categories	Years Ended December 31	
	2020	2019
TWNCAL	\$ 30	7
Evest	66	104
JHCMC	53	-
Total	\$ 149	111

c. Rental Income

Related Party Categories	Years Ended December 31	
	2020	2019
Evest	\$ 6,691	6,691

Related Party Categories	Accounts and Notes Receivable	
	December 31, 2020	December 31, 2019
TWNCAL	\$ 8	7
Evest	1,309	1,803
Hitachi, Ltd.	2,824	3,253
Total	\$ 4,141	5,063

The Group rents out Luzu plant and computer software system to related parties. The rental price collected from the related parties is the same as that of the ordinary lessee, nevertheless, Evest issues check per month according to the contract signed by the Company and Evest, unlike the ordinary lessee who issues the check once a year, depending on the lease term with different time to cash check.

d. Purchases

Related Party Categories	Years Ended December 31	
	2020	2019
TWNCAL	\$ 145	103
JHCMC	517,142	520,777
Hitachi, Ltd.	35,740	11,922
Total	\$ 553,027	532,802

Related Party Categories	Accounts and Notes Payable	
	December 31, 2020	December 31, 2019
TWNCAL	\$ -	48
JHCMC	133,775	138,722
Hitachi, Ltd.	-	39
Total	\$ 133,775	138,809

(a) The Group purchases electrical parts from TWNCAL; purchases construction machinery such as crane, excavator and parts for repair and maintenance from JHCMC as well as purchases finished high-speed elevator and subsequent parts for repair and maintenance of Hitachi brand designated by customers from Hitachi, Ltd. (Note: the elevator attributed to Yungtay brand would never buy the related parts and components from Hitachi, Ltd.)

(b) Due to failing to purchase the same goods from non-related parties, there is no similar transaction with which to compare for the purchases among the Group and related parties, all purchases transaction is conducted in accordance with the given purchase price and term. The payment terms for the purchases from related parties are not significantly different from those with third-party vendors, and payables are paid from 1 month to 4 months.

e. Others

Accounting Items	Related Party Categories	December 31, 2020	December 31, 2019
Other receivable	Evest	\$ 200	181
Guarantee deposit received	Evest	\$ 577	577
Accounting Items	Related Party Categories	December 31, 2020	December 31, 2019
Management expenses	TWNCAL	\$ 251	95
Manufacturing overhead	TWNCAL	\$ 128	152

Maintenance cost	TWNCAL	\$	670	651
Finance cost	Evest	\$	6	6
Other income	TWNCAL	\$	264	528
	Evest		-	10
	JHCMC		2,066	1,400
	Total	\$	2,330	1,938
General and administrative expenses-Donation	YSWF	\$	2,100	4,200
	YECF		6,300	4,200
	Total	\$	8,400	8,400

f. Property transactions: None.

g. Remuneration to directors and key management

Payment Item	Years Ended December 31	
	2020	2019
Short-term employee benefits	\$ 82,195	81,801
Post-employment benefits	216	12,617
Other long-term employee benefits	68	34
Total	\$ 82,479	94,452

#### 8. Pledged (Mortgaged) assets

The Group provided the following assets as collaterals:

Item	Purpose	December 31, 2020	December 31, 2019
Current assets- refundable deposits (Restricted bank deposits)	Contract security deposits	\$ 192,880	133,075
Property, plant and equipment and investment properties -Land	Collateral for long-term bank loans (net yet revoked)	458,051	458,051
Property, plant and equipment and investment properties -Buildings	Collateral for long-term bank loans (net yet revoked)	7,024	12,909
Total		\$ 657,955	604,035



9. Significant contingent liabilities and unrecognized contract commitments

(1) Lessee's lease arrangements

The related treatment of lease has already follow the classification of IFRS 16. The disclosed information please refer to Note 6(11) and 6(16).

(2) Lessor's lease arrangements

The Group leased its investment properties by way of operating lease, please refer to Note 6(12). The future minimum lease receivable under the non-cancellable leasing period is as follows:

	December 31, 2020	December 31, 2019
Not later than 1 year	\$ 28,844	21,683
Later than 1 year and not later than 5 years	22,725	28,289
Later than 5 years	-	-
Total	<u>\$ 51,569</u>	<u>49,972</u>

(3) The amount of unused letters of credit: None.

(4) The Company and Yungtay Hitachi Construction Machinery Co., Ltd. received the downpayments and issued the secured promissory notes amounting to NT\$179,018 thousand and NT\$144,069 thousand as of December 31, 2020 and 2019, respectively.

(5) The Company engaged the banks to contract the project performance bonds as below:

	December 31 2020	December 31 2019
Chang Hwa Bank - Chengtung Branch	\$ 8,244	23,571
Mizuho Bank – Taipei Branch	46,270	19,243
Mega Bank – Chungshan Branch	12,424	12,424
Total	<u>\$ 66,938</u>	<u>55,238</u>

(6) Responding to the needs of the clients with whom the Company has provided the specific elevators of the brand of non-Yungtay, the Company has entered into co-operation contracts with Hitachi, Ltd. as follows:

No. of contract	Contract period	Technical cooperation products	Technical compensation fee
1.	Sep. 30, 2019 ~Sep. 29, 2024	Providing the related techniques of elevator the installation of elevator and escalator, adjustment, and check, maintenance quality assurance and remote monitoring diagnosis.	Pays US\$50 per elevator, and the royalty be paid in all once a year, and paid within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.
2.	June 1, 2015 ~May 31, 2020	High-speed inverter control elevator	When the contract remains in full force, the Company should pay US\$300 on disposal of each elevator or another way to sell each elevator, and the royalty be paid in all once a year, and paid within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.
3.	May 22, 2017 ~May 21, 2022	Machine-roomless elevator	When the contract remains in full force, the Company should pay US\$300 on disposal of each elevator or another way to sell each elevator, and paid in all once a year, and paid within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.
4.	May 22, 2017 ~May 21, 2022	Large-scale freight elevator	When the contract remains in full force, the Company should pay US\$300 on disposal of each elevator or another way to sell each elevator, and be paid in all once a year, within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.

No. of contract	Contract period	Technical cooperation products	Technical compensation fee
5.	Nov. 1, 2016 ~Oct. 31, 2021	High-speed inverter control elevator (HVF3 Votage type)	When the contract remains in full force, the Company should pay US\$300 on disposal of each elevator or another way to sell each elevator, and be paid in all once a year, within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.

The technical compensation fees, accounted for as expenses in 2020 and 2019, respectively, and calculated in accordance with the above co-operation contracts were as follows:

No. of contract	Years Ended December 31	
	2020	2019
	Amount	Amount
1	\$ 11	44
2	68	261
3	-	-
4	-	-
5	-	-
Total	\$ 79	305

The amounts and ratio of the Company's elevators sold in 2020 and 2019, respectively, by the category of brand were as follows:

	Years Ended December 31			
	2020		2019	
	Amount	%	Amount	%
Brand-Yungtay	2,646,068	99.15	2,246,699	100.00
Brand-Hitachi	22,773	0.85	-	-

(7) Major contracts of property, plant and equipment-construction in progress:

Year	Major Construction Item	Total Contract Price
2020	Shanghai Jiye	
	· Construction of experimental tower of high-speed elevator	RMB 36,800 thousand
		(Total equivalent to NT\$160,345 thousand)
2019	Yungtay Elevator (China)	
	· Interior construction of 5 <sup>th</sup> and 6 <sup>th</sup> floor of employees' dormitory	RMB 5,300 thousand
	· Civil work of escalator plant A	RMB 5,300 thousand
	· Interior construction of 7 <sup>th</sup> floor of employees' dormitory	RMB 970 thousand
	· Interior construction of escalator plant A	RMB 910 thousand
		(Total equivalent to NT\$54,642 thousand)

(8) The Company has signed the contract of the assignment of business right with Taiwan New Min Ho Industrial Corporation ("Taiwan New Min Ho") due to business planning. The objects of assignment was the contracts of maintenance of mechanical parking equipment, which bore business right and obligation and was the contracts signed by the Company and the owners who own nationwide 112 parking lots (tower) and elevators. The total amount of assignment consideration was NT\$28,762 thousand (untaxed). The right and obligation of assignment have been done after the Company and Taiwan New Min Ho has agreed to get the written agreements recognized by either whole owners who own the objects of assignment, or at least 70% owners' recognition plus maintenance fee of 3 consecutive months. As at December 31, 2020, the recognition of 70% owners has been done, still waiting for 3 consecutive months' maintenance fee collected by Taiwan New Min Ho. NT\$14,381 thousand, 50% of contract price, collected in advance, was accounted for as other advance receipts.

10. Losses due to major disaster: None.

11. Significant subsequent events:

Parent company:

The former chairman of the Company, Mr. Xu, Zuo-Ming, has submitted his resignation on March 26, 2021 due to his personal career planning. The Board of Directors has elected Mr. Nagashima Makoto, the representative of Hitachi, Ltd., as the new chairman of the Company.

Subsidiary:

The former chairman of Yungtay (China), Mr. Xu, Zuo-Ming, has submitted his resignation on March 26, 2021 due to his personal career planning. The Board of Directors has elected Mr. Nagashima Makoto, as the new chairman of Yungtay (China).

12. Other event:

As at the releasing date of the consolidated financial statements for the year ended December 31, 2020, the impact of COVID-19 pandemic has not caused significant influence to the going-concern ability, assets impairment and funding risk of the Group through the Group's, evaluation to COVID-19 pandemic. The Group will keep on observing and evaluating the impact of the foregoing from COVID-19 pandemic.

13. Others

(1) Financial instruments

a. Categories of financial instruments

	December 31 2020	December 31 2019
<u>Financial assets</u>		
FVTPL-current	\$ 860,501	791,342
FVTOCI-current and non-current	569,881	181,252
Cash and cash equivalents	4,488,289	3,903,861
Notes and accounts receivable (including related party)	4,214,438	3,632,477
Other receivables	14,279	62,103
Refundable deposits	475,203	312,729
Other non-current assets-long-term notes receivable	44,292	17,221
Other non-current assets-others (preferred stock-golf certificate)	5,520	5,520

### Financial liabilities

FVTPL-current	\$	-	4,445
Notes and accounts payable (including related party)		3,723,544	2,238,574
Other payables		939,780	912,611
Lease liabilities		22,351	36,871
Current income tax liabilities		159,658	133,816
Net defined benefit liabilities-non-current		259,929	330,698
Guarantee deposits received		183,394	205,572

### b. Credit risk

#### (a) Exposure of credit risk

The Group's mainly potentially credit risk arises principally from cash and receivables from customers. Cash deposits in different financial institution. The Group has controlled the exposure to the credit risk of every financial institution, and cash would not have significant concentration of credit risk. Receivables are in the normal collection period, which have been assessed to provide appropriate loss allowance rate and assessed to be adequate for the loss allowance periodically. Consequently, there is no significant credit risk for cash and receivables. The Group's main operating revenue comes from the sale of elevator. The majority of costumers belong to constructions. As at December 31, 2020 and 2019, the accounts receivable of selling elevators accounted for 97.58% and 97.76% of all accounts receivable, respectively.

#### (b) Evaluation of impairment loss

The Group adopts the policy of the collection agreed and the contract signed individually to the sale of elevator, and the resulting accounts receivable bears no interest. The policy the Group adopts that only the counterparty whose credit rating is up to the level of investment is qualify to do the transaction with the Group, and if necessary, upon the Group's request, the full guarantee is required to mitigate the resulting risk of financial loss on account of delinquency. The Group will utilize other publicly available financial information and historical transaction records to give credit-rating to major customers. The Group keeps on monitoring credit exposure and the credit-rating of counterparty. Besides, the

financial division would review and approve the line of credit of counterpart to manage the credit exposure.

To alleviate the credit risk, the management of the Group assigns ad hoc group who is in charge of the decision of line of credit, credit approval and other monitoring procedures to ensure that the recovery of overdue receivables has been taken proper action.

Other than this, the Group would review the recovery amount of accounts receivable one by one on balance sheet day to make sure that the appropriate impairment loss has been provided for the uncoverable receivables. Consequently, the Company's management has considered that the Group's credit risk has been significantly reduced.

The Group has adopted the simplified method of IFRS 9, i.e. the loss allowance for accounts receivable is recognized at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are computed using provision matrix, which measures costomer's past default record, current financial position, industrial economic situation and also measures forecast of GDP and industrial outlook as well. From the historical experience of the Group's credit loss, there is no significant difference for the loss type resulting from different customers' group.

Thus, the provision matrix is not further identified different customers' group and instead sets up the rate of expected credit loss by overdue days of accounts receivable.

If there is any indication that the counterparty is facing serious financial difficulty and his recoverable amount can not be reasonably predicted, the Group will write-off the relevant accounts receivable. Nevertheless, the recourse activities will continue, and the recoverable amount due to recourse would be recognized in profit or loss.

c. Liquidity risk

The objective of liquidity risk management is to ensure the Group has sufficient liquidity to fund its business requirements associated with existing operations over the next 12 months. The Group manages its liquidity risk by maintaining adequate cash and cash equivalent.

December 31, 2020	Carrying Amount	Contract Cash Flows	Less Than 1 Year	1~2 Years	2~Years
Non-derivative financial liabilities					
Notes payable	\$ 398,569	398,569	398,569	-	-
Accounts payable	3,324,975	3,324,975	3,324,975	-	-
Other payables	939,780	939,780	939,780	-	-
Lease liabilities	22,351	22,970	14,736	6,053	2,181

December 31, 2019	Carrying Amount	Contract Cash Flows	Less Than 1 Year	1~2 Years	2~Years
Non-derivative financial liabilities					
Notes payable	\$ 310,154	310,154	310,154	-	-
Accounts payable	1,928,420	1,928,420	1,928,420	-	-
Other payables	912,611	912,611	912,611	-	-
Lease liabilities	36,871	36,871	18,056	18,715	100

d. Exchange rate risk

- The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>December 31, 2020</u>			
<u>Financial asset</u>			
<u>Monetary items</u>			
USD	5,694	28.43	161,891
JPY	230,303	0.2743	63,172
RMB	46,453	4.352	202,164
HKD	97	3.643	352
EUR	-	34.82	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	907	28.53	25,886
JPY	10,800	0.2783	3,006



	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>December 31, 2019</u>			
<u>Financial asset</u>			
<u>Monetary items</u>			
USD	3,133	29.93	93,776
JPY	31,369	0.274	8,595
RMB	2,778	4.280	11,890
HKD	213	3.891	829
EUR	-	33.39	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	1,150	30.03	34,542
JPY	17,220	0.278	4,789

· Sensitivity analysis

	Years Ended December 31	
	2020	2019
(Loss)/profit of 1% change		
USD	\$ 1,360	592
JPY	602	38
RMB	2,022	119
HKD	4	8
EUR	-	-

e. The Group has loan limit from bank, but there is no loan at all as of December 31, 2020. Consequently, no exposure of interest rate risk exists.

f. Fair value of financial instruments

(a) Fair value measurements recognized in the consolidated balance sheets.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the

asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy

The following table presents the Group's financial assets and liabilities measured at fair value on a recurring basis:

		December 31, 2020			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements:					
<u>Financial assets at FVTPL</u>					
Fund investments	\$	857,397	-	-	857,397
Forward exchange contracts	\$	-	3,104	-	3,104
<u>Financial assets at FVTOCI</u>					
Domestic listed equity investments	\$	482,394	-	-	482,394
Domestic and foreign unlisted equity investments	\$	-	-	87,487	87,487
		December 31, 2019			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements:					
<u>Financial assets at FVTPL</u>					
Fund investments	\$	791,342	-	-	791,342
Forward exchange contracts	\$	-	(4,445)	-	(4,445)

Financial assets at  
FVTOCI

Domestic listed equity investments	\$	93,765	-	-	93,765
Domestic and foreign unlisted equity investments	\$	-	-	87,487	87,487

(c) There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended December 31, 2020 and 2019, respectively.

(d) Reconciliation of Level 3 fair value measurements of financial assets

(i) The financial assets measured at Level 3 fair value were equity investments classified as financial assets at FVTOCI. Reconciliations for the years ended December 31, 2020 and 2019 were as follows:

		2020	2019
Balance at January 1	\$	87,487	87,824
Proceeds from return of capital of investments-decrease of capital		-	(337)
Balance at December 31	\$	87,487	87,487
Unrealized other gain (loss) for the current period	\$	-	-

(ii) Valuation techniques that are based on significant unobservable inputs and assumptions used in Level 3 are stated as follows:

2020.12.31

Item	Valuation techniques	Significant unobservable inputs	Relationship of input to fair value
Non-derivative equity instruments:			
Unlisted shares	Market comparative companies	<ul style="list-style-type: none"> <li>Price to net worth multiple (1~1.5 as at December 31, 2020)</li> <li>Discount for lack of marketability (20%~25% as at December 31, 2020)</li> </ul>	<ul style="list-style-type: none"> <li>The higher the multiplier, the higher the fair value;</li> <li>The higher the discount for lack of marketability, the lower the fair value;</li> </ul>

2019.12.31

Item	Valuation techniques	Significant unobservable inputs	Relationship of input to fair value
Non-derivative equity instruments:			
Unlisted shares	Market comparative companies	<ul style="list-style-type: none"> <li>Price to net worth multiple (0.83~1.8 as at December 31, 2019)</li> <li>Discount for lack of marketability (15%~19% as at December 31, 2019)</li> </ul>	<ul style="list-style-type: none"> <li>The higher the multiplier, the higher the fair value;</li> <li>The higher the discount for lack of marketability, the lower the fair value;</li> </ul>

(iii) Sensitivity analysis in changes of significant unobservable inputs:

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

		Recognized in other comprehensive income		
		Input	Change	
				Favorable change      Unfavorable change
December 31, 2020				
Financial assets				
Equity instrument	Discount for lack of marketability	±5%	5,363	(5,363)

		Recognized in other comprehensive income		
		Input	Change	
				Favorable change      Unfavorable change
December 31, 2019				
Financial assets				
Equity instrument	Discount for lack of marketability	±5%	5,015	(5,015)

The Group's favorable and unfavorable changes refer to the fluctuation of fair value is computed from valuation techniques based on different level of unobservable input parameter.

(2) Financial risk management objectives

The Group seeks to ensure sufficient cost-efficient funding readily available when needed. The Group manages its exposure to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material financial activities are reviewed by Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, Corporate financial function must comply with certain financial procedures that provide guiding principles for overall financial risk management and segregation of duties.

(3) Capital management

The Board's policy is to maintain profound capital base so as to preserve the confidence of investor, creditor and market and to sustain the future development of the business. The Board of Directors monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The rate of return on capital (excluding interest expense) of the Group was 31.86% and 22.88% in 2020 and 2019, respectively. The ratio of net liabilities to total equity (leverage ratio) on the reporting day in 2020 and 2019, respectively, was as follows:

	December 31 2020	December 31 2019
Total liabilities	\$ 11,874,253	10,242,803
Less: cash and cash equivalents	(4,488,289)	(3,903,861)
Net liabilities	\$ 7,385,964	6,338,942
Total equity	\$ 12,042,300	11,425,345
Ratio of net liabilities divided by total equity (Leverage ratio)	61.33%	55.48%

The Group's approach of capital management has not changed as of December 31, 2020.

#### 14. Additional disclosures

Intercompany balance and significant transactions, directly or indirectly, between the Group and its investees in Mainland China, which are subsidiaries or associates, have been eliminated upon consolidation.

##### (1) Significant transactions and (2) Related information of reinvestments:

- a. Financings provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held (excluding investments in subsidiaries and associates): Please see Table 3 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
- e. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- f. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- i. Information about the derivative financial instruments transaction: Please see Notes 6(2);
- j. Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please see Table 6 attached;
- k. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 7 attached.

##### (3) Information on investment in Mainland China

- a. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 8 attached.

b. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 6 attached.

(4) Information on major shareholders

Name of the shareholders at a minimum shareholding percentage of 5%, the number of shares and percentage of ownership: Please see Table 9 attached.

TABLE 1

FINANCINGS PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (Foreign Currencies in Thousands) (Note 4)	Ending Balance (Foreign Currencies in Thousands) (Note 2 & 4)	Amount Actually Drawn (Foreign Currencies in Thousands)	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 3)
													Item	Value		
1	Yungtay Elevator Equipment (China) Co.	Yungtay elevator equipment (Sichuan) Co.	Other Receivables	Yes	RMB 50,000 Thousand (NT\$ 218,800 Thousand)	RMB 50,000 Thousand (NT\$ 217,860 Thousand)	RMB 50,000 Thousand (NT\$ 217,860 Thousand)	1.5%	Short-term financing	-	The need for operation	-	-	-	NT\$ 576,348 thousand	NT\$ 2,881,741 thousand
2	Yungtay Elevator Installation Maintenance (Shanghai) Co.	Yungtay elevator equipment (Sichuan) Co.	Other Receivables	Yes	RMB 45,000 Thousand (NT\$ 131,280 Thousand)	RMB 30,000 Thousand (NT\$ 130,716 Thousand)	RMB 30,000 Thousand (NT\$ 130,716 Thousand)	1.5%	Short-term financing	-	The need for operation	-	-	-	NT\$ 37,045 thousand	NT\$ 185,226 thousand
2	Yungtay Elevator Equipment (Tianjin) Co.	Yungtay elevator equipment (Sichuan) Co.	Other Receivables	Yes	RMB 40,000 Thousand (NT\$ 175,040 Thousand)	RMB 40,000 Thousand (NT\$ 174,288 Thousand)	RMB 40,000 Thousand (NT\$ 174,288 Thousand)	1.5%	Short-term financing	-	The need for operation	-	-	-	NT\$ 128,855 thousand	NT\$ 644,276 thousand

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

(1) The Company is filled in No.0.

(2) The Subsidiaries are numbered in order starting from No.1.

Note 2: The maximum balance for the period and ending balance represent the amounts approved by the Board of Directors.

Note 3: When there is a lending for funding needs, among the subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, the total amount available for lending purpose shall not exceed 40% of the net worth of the Company and financing limits for each borrowing company shall not exceed 20% of the total financing amounts limits.

Note 4: The maximum balance and ending balance shown in the above table adopted the maximum and ending foreign exchange rate of NT\$ against US\$ in 2020, respectively.



TABLE 2

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period (Note 3 & 4)	Ending Balance (Note 3 & 4)	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
1	Yungtay Elevator Equipment (China) Co.	Yungtay Elevator Installation Maintenance (Shanghai) Co.	2	Not exceeding 1/3 of the net equity of the Company (NT\$2,401,451 thousand)	RMB 20,000 thousand (NT\$ 87,520 thousand)	RMB 2,000 thousand (NT\$ 8,714 thousand)	-	None	0.12	Not exceeding 1/2 of the net equity of the Company (NT\$3,602,176 thousand)	No	No	Yes

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

(1) The Company is filled in No.0.

(2) The Subsidiaries are numbered in order starting from No.1.

Note 2: No.2 represents that the endorser / guarantor parent company owns directly 50% voting shares of the endorsed / guaranteed subsidiary.

Note 3: The amounts approved by the Board of Directors.

Note 4: The maximum balance and ending balance shown in the above table adopted the maximum and ending foreign exchange rate of NT\$ against US\$ in 2020, respectively

TABLE 3

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2020  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2020			
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value
	Listed stock-O Commercial Bank		Financial assets at FVTPL-current	3,015,000	20,894	0.12%	20,894
	Beneficiary certificate-ETF, Yuanta Taiwan High-yield	"	"	130,000	3,894	-	3,894
	Beneficiary certificate-ETF, Yuanta Taiwan Top 50	"	"	60,000	7,335	-	7,335
	Beneficiary certificate-open ended fund-Franklin Templeton SinoAm Money Market Fund	"	"	4,858,378	50,665	-	50,665
	Beneficiary certificate-open ended fund-TSITC Taiwan Money Market Fund	"	"	3,279,334	50,612	-	50,612
	Beneficiary certificate-open ended fund-Taishin 1699 Money Market Fund	"	"	3,704,829	50,556	-	50,556
	Beneficiary certificate-open ended fund-Jih Sun Money Market Fund	"	"	3,368,478	50,359	-	50,359
	Beneficiary certificate-open ended fund-Mega Diamond Money Market Fund	"	"	3,978,833	50,332	-	50,332
	Beneficiary certificate-open ended fund-Prudential Financial Money Market Fund	"	"	3,151,314	50,279	-	50,279
The Company	Beneficiary certificate-open ended fund-Yuanta De-Li Money Market Fund	"	"	3,055,189	50,224	-	50,224
	Beneficiary certificate-open ended fund-Union Money Market Fund	"	"	3,770,398	50,183	-	50,183
	Beneficiary certificate-open ended fund-Eastspring Investment Well Pool Money Market Fund	"	"	3,654,917	50,119	-	50,119
	Beneficiary certificate-open ended fund-Tashin Ta Chong Money Market Fund	"	"	3,495,892	50,063	-	50,063
	Beneficiary certificate-open ended fund-The RSIT Enhanced Money Market Fund	"	"	4,150,790	50,049	-	50,049
	Beneficiary certificate-open ended fund-Capital Money Market Fund	"	"	3,076,488	50,040	-	50,040
	Beneficiary certificate-open ended fund-SinoPac TWD Money Market Fund	"	"	3,566,334	50,013	-	50,013
	Beneficiary certificate-open ended fund-KGI Victory Money Market Fund	"	"	4,284,233	50,000	-	50,000
	Beneficiary certificate-open ended fund-TCB Taiwan Money Market Fund	"	"	4,884,005	50,000	-	50,000
	Beneficiary certificate-open ended fund-Franklin Templeton SinoAm China A Shares Equity Fund	"	"	243,665	3,450	-	3,450

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2020			
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value
The Company	Beneficiary certificate-open ended fund-Yuanta Taiwan High-yield Leading Company Fund	"	"	1,500,000	18,885	-	18,885
	Beneficiary certificate-open ended fund-Prudential Financial US Investment Grade Corporate Bond Fund-Acc (USD)	"	"	30,000	9,283	-	9,283
	Beneficiary certificate-open ended fund-Shin Kong Global Bond Fund-A (no dividend) (USD)	"	"	25,200	8,784	-	8,784
	Beneficiary certificate-open ended fund-Pine Bridge Global ESG Quantitative Bond Fund A (USD)	"	"	28,580	8,680	-	8,680
	Beneficiary certificate-open ended fund-TCB 2023 Maturity Selective Emerging Market Bond Fund (USD)	"	"	40,000	11,373	-	11,373
	Beneficiary certificate-open ended fund-Franklin Templeton SinoAm Global Healthcare Fund (USD)	"	"	24,214	8,192	-	8,192
	Beneficiary certificate-open ended fund-UPAMC Global Innovative Tech Fund (USD)	"	"	3,469	3,133	-	3,133
	Listed stock-O Commercial Bank	"	Equity instruments investments at FVTOCI-current	10,769,539	74,633	0.45%	74,633
	Listed stock-China Metal Products Co., Ltd.	"	"	707,000	22,483	0.19%	22,483
	Listed stock-Teco Electric and Machinery Co., Ltd.	"	"	300,000	8,295	0.01%	8,295
	Unlisted stock-Addcn Technology Co. Ltd.	"	Equity instruments investments at FVTOCI-non-current	148,000	2,265	18.50%	2,265
	Unlisted stock-Asia Hitachi Elevator	"	"	6,760	78,169	10.00%	78,169
	Unlisted stock-King's World Investment Co., Ltd.	"	"	21,090	900	0.03%	900
	Unlisted stock-TwNat Joint Venture Investment Co., Ltd.	"	"	812,693	4,115	6.82%	4,115
	Unlisted stock-Ultralife Taiwan Inc.	"	"	11,361,946	-	5.85%	-
	OTC stock-Taiwan Calsonic Co., Ltd.	"	"	12,785,000	361,815	19.977%	361,815
Yungjun Investment Co., Ltd	Listed stock-the Company	Parent company	Treasury stock	2,129,800	133,538	0.52%	133,538
	Listed stock-China Metal Products Co., Ltd.	Non-related party	Equity instruments investments at FVTOCI-non-current	477,000	15,168	0.12%	15,168
	Unlisted stock-Digitimes Inc.	"	"	78,750	2,038	0.42%	2,038
	Unlisted stock-Ultra Life Taiwan Inc.	"	"	900,000	-	0.46%	-

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 4

Company Name	Related Party	Nature of Relationships	Transaction Details			Transaction with different trading condition		Accounts Payable		Footnote (Note 2)
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Ending Balance	% to Total	
Yungtay Hitachi Construction Machinery Co., Ltd.	Japan Hitachi Construction Machinery Co., Ltd.	Investee of investing co. accounted for using equity method	Purchases	517,142	11.11%	4~6Months after the goods were delivered	Note 1	133,775	4.02%	-

Note 1: The purchase term of Yungtay Hitachi Construction Machinery Co., Ltd. to ordinary customers and related parties, please refer to Note 7(2).d.

Note 2: If there is any advances received (or payment), please describe the reason, the specified term of the contract, amount and any difference from the common transaction type in the footnote.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

TABLE 5

DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days	Overdue		Amounts Received in Subsequent Period (Note)	Allowance for Bad Debts
					Amount	Action Taken		
Yungtay Elevator Equipment (Tianjin) Co.	Yungtay Elevator Equipment (China) Co.	Parent Company and subsidiary	1,124,745	1	-	-	386,958	-
Yungtay Elevator Equipment (Sichuan) Co.	Yungtay Elevator Equipment (China) Co.	Parent Company and subsidiary	435,1165	3	-	-	214,592	-

Note : Amounts received as of March 3, 2021.

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(Amounts in Thousands of New Taiwan Dollars)

TABLE 6

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions						Percentage to Con- solidated Net Revenue or Total Assets (Note 4)	
				Financial Statements Account	Amount (Note 3)		Terms				
					2020	2019					
0	The Company	Yungtay Elevator Equipment (China) Co.	1	Net revenue from sale of goods	\$ 8,755	\$ 2,458	Sale based on cost plus 20%		0.06%	0.02%	
				Accounts receivable	\$ 476	\$ 417	Collection term of 1~5 months		-	-	
				Purchases	\$ 190,006	\$ 215,441	Uncomparable		1.24%	1.57%	
				Accounts payable	\$ 42,127	\$ 46,502	Payment term of 2~3 months after delivered per import declaration		0.18%	0.21%	
		Jiyi Electric Co. (Shanghai, China)	1	Accounts payable	\$ 34,905	-	Sale based on cost plus 20%		0.15%	-	
				Purchases	\$ 152,431	\$ 3	Uncomparable		1.00%	-	
		Jiyi Electric Co. (Shanghai, China)	3	Net revenue from sale of goods	\$ 240	\$ 28,968	Sale based on cost plus 3%		-	0.21%	
				Accounts receivable	\$ 716	\$ 24,111	Collection term of 1~4 months		-	0.11%	
				Purchases	\$ 867,840	\$ 318,968	Uncomparable		5.67%	2.33%	
				Accounts payable	\$ 8,356	\$ 224,934	Negotiated adjustment based on the Group's funds dispatching		0.03%	1.04%	
1	Yungtay Elevator Equipment (China) Co.	Yungtay Elevator Equipment (Tianjin) Co.	3	Net revenue from sale of goods	\$ 15,250	\$ 87,681	Sale based on cost plus 6%		0.10%	0.64%	
				Accounts receivable	\$ 2,924	\$ 1,926	Collection term of 1~6 months		0.01%	0.01%	
				Purchases	\$ 1,270,661	\$ 1,006,829	Based on cost plus 12%		8.29%	7.34%	
				Accounts payable	\$ 1,124,745	\$ 936,402	30 days after delivered		4.70%	4.32%	
		Yungtay Elevator Equipment (Sichuan) Co.	3	Net revenue from sale of goods	\$ 10,285	\$ 20,441	Sale based on cost plus 5%		0.07%	0.15%	
				Accounts receivable	\$ 2,270	\$ 769	Collection term of 1 months		0.01%	0.00%	
		Yungtay Elevator Equipment (Sichuan) Co.	3	Purchases	\$ 980,758	\$ 691,705	Uncomparable		6.40%	5.04%	
				Accounts payable	\$ 435,116	\$ 162,632	Negotiated adjustment based on the Group's funds dispatching		1.82%	0.75%	

Note 1: No.0 is for the parent company. Subsidiaries are numbered in order starting from No.1.

Note 2: No.1 represents the transactions from parent company to subsidiary, No.2 represents the transactions from subsidiary company to parent, and No.3 represents the transactions between subsidiaries.

Note 3: Unrealized intercompany gain under the downstream transactions of the sales to sub-subsidiary company from parent was NT\$664 thousand and NT\$583 thousand in 2020 and 2019, respectively. Unrealized intercompany gain under the upstream transactions of the purchases from sub-subsidiary to parent was NT\$19,735 thousand and NT\$3,549 thousand in 2020 and 2019, respectively.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

TABLE 7

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020		Net Income (Losses) of the Investee (Foreign Currencies in Thousands)		Share of Profits/Losses of Investee (Note 3) (Foreign Currencies in Thousands)		Note
				December 31, 2020 (Foreign Currencies in Thousands)	December 31, 2019 (Foreign Currencies in Thousands)	December 31, 2020 (Foreign Currencies in Thousands)	Percentage of Ownership	Carrying Amount (Foreign Currencies in Thousands)	US\$	NT\$	US\$	NT\$
The Company	Yungtay Engineering Co. (HK)	54F, Hopewell centre, 183 queen's road east, Hong Kong	Indirectly investing in Yungtay Elevator Equipment (China) Co.	US\$ 11,100 NT\$ 296,939 (Note 1)	US\$ 11,100 NT\$ 296,939 (Note 1)	US\$ 11,183,510 NT\$ 5,732,845	78.72%	US\$ 201,666 NT\$ 54,912	US\$ 3,902	US\$ 2,517	US\$ 73,440	Subsidiary, including net realized profit margin of NT\$16,186 thousand of intercompany's upstream transaction
	Better Win Investment Co. (SAMOA)	Level 2, Lotemau Centre Vaes Sire et, Apia Samoa	Holding Company; Indirectly investing in Yungtay Elevator (China) through Yungtay Engineering (HK) (Note 2)	US\$ 33,500 NT\$1,045,647 (Note 1)	US\$ 33,500 NT\$1,045,647 (Note 1)	US\$ 33,500,000	100.00%	US\$ 54,912 NT\$1,561,155	US\$ 875	US\$ 25,537	US\$ 25,537	
	Yungjun Investment Co., Ltd.	11F, No.99 Fu-Hsin N. Rd. Taipei	Investment	85,000	85,000	8,500,000	100.00%	26,435	5,094	408		Subsidiary. The Company's share acquired by subsidiary is accounted for under treasury stock.
	Hilachi Construction Machinery Co., Ltd.	No. 11, Ln. 17, Sec. 3, Nanshan Rd., Luzhu Dist., Taoyuan City	Agent for the trading of domestic and foreign construction machinery	65,280	65,280	6,528,000	51.00%	216,773	73,974	37,727		Subsidiary
Better Win Investment Co.	Evest Corporation	3F., No. 11, Ln. 17, Sec. 3, Nanshan Rd., Luzhu Dist., Taoyuan City	SMT/LED/IC Packaging MEMS Packaging/Touch precision process equipment	614,666	614,666	7,007,172	41.22%	146,778	72,114	29,725		Associate
	Yungtay Engineering Co. (HK)	54F, Hopewell centre, 183 queen's road east, Hong Kong	Indirectly investing in Yungtay Elevator Equipment (China) (Note 2)	US\$ 33,297	US\$ 33,297	3,022,570	21.28%	US\$ 54,704 NT\$1,561,364	US\$ 3,902	US\$ 24,228	US\$ 24,228	The Company reinvests sub-subsidiary (HK Yungtay) thru subsidiary (Better Win Co.)

Note 1: Investments of foreign currency are converted into investments of New Taiwan Dollars at the historical exchange rate.

Note 2: Indirect investments to Mainland China from investing company were disclosed at Table 9.

Note 3: The effect of unrealized profit or loss of intercompany's transaction has been considered while recognized the share of profit or loss of the investee companies during the period.

Note 4: TWNCAL, an investee company of the Group, has been accounted for using equity method. The Group recognized investment loss of 10,376 thousand by its share of profit or loss of investee company at first quarter in 2020. Due to sale of partial shares of TWNCAL in April, 2020, the Group ceased to have significant influence over TWNCAL and discontinued to use the equity method. The rest shares of 12,799,000 at its fair value of 243,181 thousand at that time were transferred to the accounting item-equity instruments at FVOCI-non-current. Please refer to NOTE 6(9).

TABLE 8

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR YEAR ENDED DECEMBER 31, 2020  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

			Total Amount of Paid-in Capital (Note 6 and Note 7)	Method of Investment (Note 1) (Note 3)	Accumulated Outflow of Investment from January 1, 2019 (Note 7)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated Outflow of Investment from December 31, 2020 (US\$ in Thousands) (Note 7)	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses
						Remitted to Mainland China	Remitted back to Taiwan				
Investee in mainland China	Main Businesses Activities										
Yungtay Elevator Equipment (China) Co.	Manufacturing, Sale of elevator and escalator and related accessories		US\$ 56,000 thousand (NT\$1,566,971 thousand)	(Note 1) (Note 3)	US\$ 5,702 thousand (NT\$121,979 thousand)	-	-	US\$ 5,702 thousand (NT\$121,979 thousand)	RMB 26,060 thousand (NT\$112,648 thousand) (Note 4)	100.00%	112,648 thousand (Note 4)
Yungtay Elevator Equipment (Tianjin) Co.	"		RMB 200,000 thousand (NT\$907,680 thousand)	(Note 2) (Note 6)	-	-	-	-	(Note 4)	100.00%	- (Note 4)
Yungtay Elevator Installation Maintenance (Shanghai) Co.	"		RMB 20,000 thousand (NT\$95,197 thousand)	(Note 2)	-	-	-	-	(Note 4)	100.00%	- (Note 4)
Yungtay Elevator Equipment (Sichuan) Co.	"		RMB 152,000 thousand (NT\$736,573 thousand)	(Note 2) (Note 6)	-	-	-	-	(Note 4)	100.00%	- (Note 4)
Jiye Electric Co. (Shanghai, China)	"		RMB 109,000 thousand (NT\$523,370 thousand)	(Note 2) (Note 3)	-	-	-	-	(Note 4)	100.00%	- (Note 4)



Investee Company in Mainland China	Carrying Amount of investments in Mainland China as of December 31, 2020 (Note 7)	Accumulated Amount of Investment Income remitted back to Taiwan as of December 31, 2020	Accumulated Amount remitted from Taiwan to Mainland China as of December 31, 2020	Investment Amounts approved by Investment Commission, MOEA (Note 7)	Ceiling of investment in Mainland China imposed by Investment Commission, MOEA (Note 8)
Yungtay Elevator Equipment (China) Co.	7,204,353 thousand	US\$5,398 thousand and RMB339,621 Thousand (NT\$1,781,578 thousand)	121,979 thousand	293,208 thousand	Investee Co. invested directly by Yungtay (HK)
Yungtay Elevator Equipment (Tianjin) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital
Yungtay Elevator Installation Maintenance (Shanghai) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital
Yungtay Elevator Equipment (Sichuan) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital
Jiyi Electric Co. (Shanghai, China)	- (Note 3)	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital
					7,100,417 thousand

Note 1: Investment in Mainland China through companies registered in a third region.

Note 2: Direct investment in Mainland China through an existing company incorporated in Mainland China.

Note 3: a. Yungtay Elevator (China) intended to merge Jiye Electric Co. (Shanghai, China), that was resolved by the board of director of

Yungtay Elevator (China), and the merger date was scheduled on Dec. 31, 2017. Due to complying with the company's

operating needs in the third quarter, 2019, the aforesaid merger agreement was no longer to be executed. Yungtay Elevator (China) is still the parent company of Jiye Electric Co. (Shanghai, China), which is 100% owned by Yungtay Elevator (China).

b. TianYung Installation & Maintenance, reinvested by Tianjin Yungtay, finished the cancellation of registration in September, 2019.

Note 4: The recognition basis of investment income or loss was calculated based on the financial statements audited by Taiwan parent company's CPA. The sub-sub-subsidiary-Yungtay Elevator (China) recognized the share of profit (loss) of sub-subsidiaries-Tianjin yungtay, Shanghai Yuintay Installation & Maintenance, Shanghai Jiyi, Vietnam Yungtay, Sichuan Yungtay which are all 100% owned by Yungtay Elevator (China), and recognized the share of profit (loss) of sub-sub-sub-subsidiary- Tianjin Yungtay Installation & Maintenance, which is 100% owned by Sub-Sub-Subsidiary-Tianjin Yungtay. Tianjin Yungtay Installation & Maintenance has been liquidated in November, 2019.

Note 5: The Company owned 74% of Yungtay Elevator (China) through H.K. Yungtay, 78.72% ownership of Yungtay Elevator (China) was held by the Company after the transfer of shares in 2008, and the total ownership of Yungtay Elevator (China) is 100%, together with subsidiary-Better Win Investment Co. which holds 21.28% ownership of Yungtay Elevator (China).

Note 6: (1) Tianjin Yungtay has increased capital in cash in March, 2013, amounting to RMB 50,000 thousand, and the paid-in capital has been RMB 200,000 thousand as at December 31, 2020, which has been 100% ownership held by Yungtay Elevator (China).

(2) Sichuan Yungtay, incorporated on June 28, 2013, invested by Yungtay Elevator (China), which the registered and paid-in capital has been RMB 150,000 thousand. On account of Chengdu Yungtay which was merged with Sichuan Yungtay and was soon liquidated, the paid-in capital of Sichuan Yungtay has been RMB 152,000 thousand, which is 100% owned by Yungtay Elevator (China).

Note 7: The carrying amount of ending investment was translated into NT\$ from US\$ at the banking transaction exchange rate at the balance sheet date, and the investment amounts was translated at the exchange rate of original investment.

Note 8: The limitation pursuant to "Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China" is 60% of net worth or consolidated net assets, whichever is higher.

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Taiwan Hitachi Elevator Corporation	162,587,932	39.58%
Hezhu Investment Company, Ltd.	67,643,428	16.46%
Hitachi, Ltd.	31,817,168	7.74%
Otis Park Landscape Corporation Trusted by HSBC	24,932,000	6.06%

Note: The information on the major shareholder listed in the table above is based on the total number of ordinary and preferred shares (including treasury shares) owned by the shareholder at a minimum shareholding percentage of 5%, and which have been delivered as non-physical securities to the Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter. The actual number of shares delivered as non-physical securities and the number of shares recorded in the Company's consolidated financial statements may be different due to differences in the basis of preparation and calculation.

#### 15. Operating segments information

- (1) The Group has 7 reportable segments: Taiwan elevator, Mainland elevator, Taiwan elevator maintenance and repair, Mainland elevator maintenance and repair, electric engine, construction machinery (including maintenance) and other segment.

The Group uses the income/loss from operations before income tax as the measurement for the basis of performance assessment. The basis for such measurement is the same as that for the preparation of financial statements. Please refer to the consolidated statements of comprehensive income for the related segment revenue and operating results.



Year ended December 31, 2019 (Amounts in Thousands of NT\$)

	Taiwan Elevator	Mainland Elevator	Taiwan Elevator Maintenance and Repair	Mainland Elevator Maintenance and Repair	Electric Engine	Construction Machinery (including maintenance)	Other Segment	Adjustment and Elimination	Consolidation
Revenue:									
Revenue other than parent co. and consolidated subsidiaries	\$ 3,014,750	5,555,989	2,894,073	1,347,309	-	880,753	25,474	-	13,718,348
Revenue from parent co. and consolidated subsidiaries	2,459	236,496	34	-	329,867	-	5,467	(574,323)	-
Total revenue	\$ 3,017,209	5,792,485	2,894,107	1,347,309	329,867	880,753	30,941	(574,323)	13,718,348
Total segment gross profit	\$ 348,038	795,090	1,569,969	371,026	26,110	166,358	25,178	(34,391)	3,267,378
Interest income	-	58,531	-	-	-	2,841	7,022	-	68,394
Interest expense	-	791	-	-	-	-	172	-	963
Depreciation and amortization	31,474	296,826	20,551	11,290	16,747	1,947	19,452	-	398,287
Share of profits of associates	-	-	-	-	-	-	(14,895)	-	(14,895)
Disposal of noncurrent assets held for sale	-	259,938	-	-	-	-	-	-	259,938
Other significant non-cash items: none	-	-	-	-	-	-	-	-	-
Segment profit/loss	\$ 106,413	(442,206)	1,162,056	151,829	3,297	98,451	166,800	(1,483)	1,245,157
Total assets of segment	\$ 2,247,145	11,268,111	660,124	1,198,836	1,262,051	619,250	13,684,789	(9,272,158)	21,668,148
Total liabilities of segment	\$ 2,188,719	5,655,807	331,110	430,082	336,583	231,646	1,118,113	(49,257)	10,242,803

(3) Geographic information

Net Revenue from External:

	Customers	
	Years Ended December 31	
	2020	2019
Taiwan	\$ 7,310,301	6,815,050
Mainland China	8,008,450	6,903,298
Total	<u>\$ 15,318,751</u>	<u>13,718,348</u>

Non-current Assets:

	December 31	December 31
	2020	2019
Taiwan	\$ 2,428,748	2,396,849
Mainland China	3,744,066	3,828,928
Total	<u>\$ 6,172,813</u>	<u>6,225,777</u>

The Group categorized the net revenue mainly based on the country in which the customer is headquartered. Non-current assets include property, plant and equipment, intangible assets and other non-current assets.

(4) Major customers information

The revenue of major customer was not accounted for 10% of the total revenue in 2020 and 2019, respectively.

## (V) Parent Company Only Financial Statements of 2020



建昇財稅聯合會計師事務所

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### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

Yungtay Engineering Co., Ltd.

#### Opinion

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

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

#### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China in 2020 and conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Decree of Jin Guan Jheng Shen No.1090360805 promulgated from Financial Regulatory Commission on February 25, 2020 and auditing standards generally accepted in the Republic of China in 2019. Our responsibilities under those standard are further described in the section Auditors' Responsibilities for the Audit of the Parent company only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audits evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## **Key Audit Matters**

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

### Recognition of sales

Please refer to Note 6(18) to the parent company only financial statements for the details of the information about the sale of goods associated with elevators and related maintenance, which accounts for 99.52% of the total operating revenue.

The main clients come from construction industry, which have already signed the contract with regard to the sales of elevator and maintenance. The timing for revenue recognition lies in the point when the elevator is installed completely and are examined and qualified by the competent authority, and the maintenance is recognized over time followed by the designated service time in accordance with the contract. Since the timing for revenue recognition and correct attribution of revenue is subject to the significant judgment and decision from the management, it has been identified a key audit matter. Please refer to Note 4(18) to the parent company only financial statements for the details of accounting policy about the recognition of sales. Our key audit procedures responded to the above area included: 1.obtained an understanding and evaluating of the implementation of internal controls over the recognition of sales revenue designed by the Company's management in order to evaluate the effectiveness of the related activity of internal control; 2.performed the cut-off tests to sales revenue, which is occurred in the specific period before and after the balance sheet date as well as reviewed the material contracts to verify the recognition of the sales of elevators, maintenance and related products and services to be in the right time and reasonable.

## **Responsibilities of Management and Those Charged with Governance for the Parent company only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the

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

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

Those charged with governance (including members of audit committee) are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Parent company only Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of components constituting the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Lin, Seng-Ping and Chen, Jen-Chi.

林昇平 陳仁志



A member of Russell Bedford International

Taipei, Taiwan (Republic of China)

March 26, 2021

#### Notice to Readers

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

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

**Yungtay Engineering Co., Ltd.**

Parent Company Only Balance Sheets - Assets

December 31, 2020 and 2019

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Accounting Item	Note	31-Dec-20		31-Dec-19	
			Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	6(1)	\$ 1,712,806	11	1,240,832	9
	Financial assets at fair value through profit or loss					
1110	-current	6(2)	857,397	5	791,342	5
	Financial assets at fair value through other comprehensive income-current	6(3)	105,411	1	84,110	1
1120						
1150	Notes receivable, net	6(4)	220,383	1	186,205	1
1170	Accounts receivable, net	6(4)	968,941	6	1,008,721	7
1200	Other receivables		2,408	-	759	-
130x	Inventories	6(5)	1,061,196	7	1,080,869	7
1410	Prepayments	6(6)	9,062	-	9,636	-
11xx	Total current assets		4,937,604	31	4,402,474	30
15xx	Non-current assets					
	Financial assets at fair value through other comprehensive income-non-current	6(3)	447,264	3	85,449	1
1517						
1550	Investments accounted for using equity method	6(8)	7,683,986	49	7,859,429	53
1600	Property, plant and equipment	6(9)	1,368,413	9	1,373,266	9
1755	Right-of-use assets	6(10)	8,249	-	14,580	-
1760	Investment property, net	6(11)	890,441	6	895,658	6
1780	Intangible assets	6(12)	4,560	-	2,953	-
1840	Deferred income tax assets	6(21)	161,051	1	155,554	1
1915	Prepayments for equipment	6(9)	8,118	-	1,249	-
1920	Refundable deposits	6(7)	86,954	1	73,865	-
1930	Long-term notes and accounts receivable		33,994	-	-	-
1990	Advances to employees and official business		2,443	-	3,364	-
1990	Other non-current assets-others		5,520	-	5,520	-
15xx	Total non-current assets		10,700,993	69	10,470,887	70
1xxx	Total assets		\$ 15,638,597	100	14,873,361	100

(Notes attached are part of the parent company only financial statements)

Chairman: (sealed)



Manager: (sealed)



Accounting Supervisor: (sealed)



**Yungtay Engineering Co., Ltd.**

Parent Company Only Balance Sheets – Liabilities and Equity

December 31, 2020 and 2019

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Accounting Item	Note	31-Dec-20		31-Dec-19	
			Amount	%	Amount	%
21xx	Current liabilities					
2130	Contract liabilities	6(13) \$	1,843,998	12	1,962,403	13
2150	Notes payable		361,107	2	278,997	2
2170	Accounts payable		763,499	5	556,203	4
2200	Other payables	6(14)	225,226	1	230,900	1
2230	Current tax liabilities	6(21)	148,685	1	118,537	1
2280	Lease liabilities -current	6(15)	4,787	-	7,503	-
2313	Deferred revenue	6(18)	103,384	1	90,542	1
2315	Advance receipts	9(8)	14,381	-	-	-
2335	Receipts under custody		10,286	-	1,780	-
	Total current liabilities		<u>3,475,353</u>	<u>22</u>	<u>3,246,865</u>	<u>22</u>
25xx	Non-current liabilities					
2570	Deferred income tax liabilities	6(21)	3,666	-	4,875	-
2580	Lease liabilities-non-current	6(15)	3,540	-	7,145	-
2630	Long-term deferred revenue	6(18)	56,556	-	42,879	-
2640	Net defined benefit liabilities-non-current	6(16)	259,929	2	330,698	2
2645	Guarantee deposits received		5,525	-	5,480	-
25xx	Total non-current liabilities		<u>329,216</u>	<u>2</u>	<u>391,077</u>	<u>2</u>
2xxx	Total liabilities		<u>3,804,569</u>	<u>24</u>	<u>3,637,942</u>	<u>24</u>
31xx	Equity					
3100	Capital stock	6(17)	4,108,200	26	4,108,200	28
3200	Capital surplus	6(17)	279,398	2	275,042	2
3300	Retained earnings	6(17)				
3310	Legal reserve		3,171,035	20	3,077,068	20
3320	Special reserve		307,639	2	923	-
3350	Unappropriated earnings		4,117,021	26	4,151,236	28
3400	Other equity					
3410	Exchange differences arising on translation of foreign operations		(168,965)	(1)	(284,952)	(2)
3420	Unrealized gain (loss) on financial assets at fair value through other comprehensive income		89,111	1	(22,687)	-
3500	Treasury stock		(69,411)	-	(69,411)	-
3xxx	Total equity		<u>11,834,028</u>	<u>76</u>	<u>11,235,419</u>	<u>76</u>
3x2x	Total liabilities and equity	\$	<u>15,638,597</u>	<u>100</u>	<u>14,873,361</u>	<u>100</u>

(Notes attached are part of the parent company only financial statements)

Chairman: (sealed)



Manager: (sealed)



Accounting Supervisor: (sealed)



**Yungtay Engineering Co., Ltd.**

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Code	Accounting Item	Note	2020		2019	
			Amount	%	Amount	%
4000	Operating revenue	6(18)	\$ 6,466,867	100	5,942,257	100
5000	Operating costs	6(5)	(4,440,031)	(69)	(3,999,072)	(67)
5900	Gross profit from operations		2,026,836	31	1,943,185	33
5910	Unrealized profit from sales		(664)	-	(583)	-
5920	Realized profit from sales		583	-	605	-
5950	Gross profit from operations, net		2,026,755	31	1,943,207	33
6000	Operating expenses					
6100	Selling expenses		(67,583)	(1)	(61,947)	(1)
6200	Administrative expenses		(445,150)	(7)	(420,311)	(7)
6300	Research and development expenses		(153,065)	(2)	(167,282)	(3)
6450	Expected credit loss		12,000	-	-	-
	Total operating expenses		(653,798)	(10)	(649,540)	(11)
6900	Net operating income		1,372,957	21	1,293,667	22
7000	Non-operating income and expenses					
7100	Interest income		5,895	-	6,943	-
7130	Dividend income		31,596	1	29,003	-
7020	Other gains and losses	6(19)	56,597	1	7,801	-
7050	Finance costs	6(19)	(174)	-	(181)	-
7070	Share of (loss) profit of subsidiaries and associates accounted for using equity method	6(8)	156,461	2	(127,371)	(2)
	Non-operating income and expenses		250,375	4	(83,805)	(2)
7900	Income before income tax		1,623,332	25	1,209,862	20
7950	Income tax expenses					
7951	Current income tax expenses	6(21)	(310,230)	(5)	(253,918)	(4)
7952	Deferred income tax expenses	6(21)	(4,002)	-	(16,276)	-
8000	Current income from continuing operations		1,309,100	20	939,668	16
8100	Gains and losses from discontinuing operation, net		-	-	-	-
8200	Net income for the year		1,309,100	20	939,668	16
8300	Other comprehensive income (loss), net					
8310	Items that will not be reclassified subsequently to profit or loss:					
8311	Remeasurement on defined benefit plans	6(16)	(53,541)	(1)	55,331	-
8316	Unrealized profit or loss on investment in equity instruments at fair value through other comprehensive income	6(17)	112,716	2	(2,046)	-
8331	Remeasurement on defined benefit plans of associates		(412)	-	(973)	-
8336	Unrealized profit or loss on investment in equity instruments at fair value through other comprehensive income of subsidiaries and associates	6(17)	2,719	-	3,036	-
8349	Income tax (benefit) expense related to items that will not be reclassified	6(21)	10,708	-	(10,983)	-
	Total items not reclassified subsequently into gains and losses		72,190	1	44,365	-
8360	Items that may be reclassified subsequently to profit or loss:					
8381	Exchange differences arising on translation of foreign operations of subsidiaries and associates		95,637	2	(309,708)	(5)
	Total items to be reclassified subsequently into gains and losses		95,637	2	(309,708)	(5)
8500	Total comprehensive income for the year		\$ 1,476,927	23	674,325	11
	Earnings per share (unit: NT\$)	6(22)				
9750	Basic earnings per share (in NT dollar)		\$ 3.20		2.30	

(Notes attached are part of the parent company only financial statements)

Chairman: (sealed)



Manager: (sealed)



Accounting Supervisor: (sealed)





Only Statements of Cash Flows ended December 31, 2012  
ed in Thousands of New

(Amounts Expressed in Thousands of New Taiwan Dollars)

Item	Retained earnings			Other equity		
	Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences arising on translation of foreign operations
Restated balance as of January 1, 2019	4,108,200	270,267	3,009,594	-	3,978,068	24,756
Appropriation & distribution of earnings in 2018						
Legal reserve			67,474		(67,474)	-
Special reserve				923	(923)	-
Cash dividends					(739,476)	-
Adjustments of capital surplus due to cash dividends paid from parent to subsidiaries		3,834				3,834
Overdue dividends unclaimed		939				939
Share of changes in net assets of associates accounted for using equity method		2				2
Net income in 2019 (Note 1)						
Other comprehensive income (loss) in 2019					939,668	939,668
Total comprehensive income (loss) in 2019	-	-	-	-	43,375	990
Adjustments to share of disposal and capital reduction of investments in equity instruments at fair value through other comprehensive income owned by associates	-	-	-	-	983,043	990
	-	-	-	-	(2,002)	2,002
Balance as of December 31, 2019	4,108,200	275,042	3,077,068	923	4,151,236	(284,952)
	\$					(69,411)
	\$					11,235,419
Balance as of January 1, 2020	4,108,200	275,042	3,077,068	923	4,151,236	(284,952)
Appropriation & distribution of earnings in 2019						
Legal reserve			93,967		(93,967)	-
Special reserve				306,716	(306,716)	-
Cash dividends					(903,804)	(903,804)
Adjustments of capital surplus due to company's cash dividends paid to subsidiaries		4,686				4,686
Overdue dividends unclaimed		1,401				1,401
Net income in 2020 (Note 2)					1,308,100	1,308,100
Other comprehensive income (loss) in 2020					(43,245)	95,637
Total comprehensive income (loss) in 2020	-	-	-	-	1,265,855	167,827
Disposal of associate accounted for using equity method		(1,731)				1,476,927
Disposal of equity instruments at fair value through other comprehensive income					1,667	780
Changes of associate accounted for using equity method					2,750	(1,667)
Balance as of December 31, 2020	4,108,200	279,398	3,171,035	307,639	4,117,021	(168,965)
	\$					(69,411)
	\$					11,834,028

Note 1: The employee's compensation and director's remuneration in 2020 are NT\$48,600 thousand and NT\$5,400 thousand, respectively, which have been deducted from the parent company only statement of comprehensive income.

Note 2: The employee's compensation and director's remuneration in 2019 are NT\$44,978 thousand and NT\$4,998 thousand, respectively, which have been deducted from the parent company only statement of comprehensive income.

(Notes attached are part of the parent company only financial statements)





**Yungtay Engineering Co., Ltd.**

Parent Company Only Statements of Cash flows

For the years ended December 31, 2020 and 2019

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Item	2020	2019
AAAA	<b>Cash flows from operating activities:</b>		
A10000	Income before income tax	\$ 1,623,332	1,209,862
A20000	Adjustments:		
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expense	68,598	66,754
A20200	Amortization expense	3,007	4,723
A20300	Expected credit (gain)	(12,000)	-
A20400	(Gain) loss on financial assets at fair value through profit or loss	(11,285)	(3,413)
A20900	Interest expense	174	181
A21200	Interest income	(5,895)	(6,943)
A21300	Dividend income	(31,596)	(29,003)
A22400	Share of (profit) loss of subsidiaries and associates accounted for using equity method	(156,461)	127,371
A22500	(Gain) on disposal of property, plant and equipment, net	(312)	-
A22500	Loss on obsolescence of property, plant and equipment	269	1
A23200	Loss (gain) on disposal of partial investments accounted for using equity method (Note 6(8))	(37,605)	-
A23700	Loss from price recovery of inventory decline	747	-
A23800	(Reversal of loss) from price recovery of inventory decline	-	(1,927)
A23800	Impairment loss (reversal of impairment loss) on other nonfinancial asset (Note 6(7))	(1,800)	-
A24000	Realized profit from sales, net	81	(22)
A24100	Unrealized foreign exchange loss	32,693	33,144
A29900	Various expenses transferred from prepayment for equipment	-	1,257
A20010	Total adjustments to reconcile profit (loss)	(151,385)	192,123
A30000	Change in operating assets and liabilities		
A31000	Change in operating assets		
A31115	(Increase) decrease in financial assets mandatorily classified as at fair value through profit or loss	(54,770)	(265,009)
A31130	(Increase) decrease in notes receivable, net	(34,178)	1,472
A31150	(Increase) decrease in accounts receivable, net	51,780	32,076
A31180	(Increase) decrease in other receivables	44	(46)
A31200	(Increase) decrease in inventory	18,926	6,112
A31230	(Increase) decrease in prepayments	574	(2,566)
A31000	Total change in operating assets	(17,624)	(227,961)
A32000	Change in operating liabilities		
A32125	Increase (decrease) in contract liabilities	(118,405)	154,381
A32130	Increase (decrease) in notes payable	82,110	25,587
A32150	Increase (decrease) in accounts payable	207,296	86,753
A32180	Increase (decrease) in other payables	(5,674)	11,971
A32210	Increase (decrease) in unearned revenue	14,381	-
A32210	Increase (decrease) in unearned revenue	-	-
A32230	Increase (decrease) in other current liabilities	8,506	310
A32240	Increase (decrease) in defined benefit liabilities, net	(124,310)	(127,493)
A23990	Increase (decrease) in deferred revenue	26,519	2,837
A32000	Total change in operating liabilities	90,423	154,346

**Yungtay Engineering Co., Ltd.**

Parent Company Only Statements of Cash flows

For the years ended December 31, 2020 and 2019

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Item	2020	2019
A30000	Total change in operating assets and liabilities	72,799	(73,615)
A20000	Total adjustments	(78,586)	118,508
A33000	Cash generated from operations	1,544,746	1,328,370
A33100	Interest received	5,860	6,828
A33200	Dividends received	267,507	80,223
A33300	Interest paid	(93)	(59)
A33500	Income tax paid	(269,633)	(355,024)
AAAA	Net cash flows generated by operating activities	1,548,387	1,060,338
BBBB	<b>Cash flows from investing activities</b>		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(45,161)	-
B00020	Disposal of financial assets at fair value through other comprehensive income	15,898	-
B01900	Disposal of investment accounted for using equity method	1,916	-
B02700	Acquisition of property, plant and equipment (Note 6(23))	(49,406)	(26,423)
B02800	Proceeds from disposal of property, plant and equipment	342	-
B03700	(Increase) in refundable deposits	(11,289)	(6,529)
B04500	Acquisition of intangible assets	(4,614)	(443)
B06800	(Increase) decrease in other non-current assets	(33,073)	572
B07100	(Increase) in prepayments for equipment	(8,118)	(991)
BBBB	Net cash flows used in investing activities	(133,505)	(33,814)
CCCC	<b>Cash flows from financing activities</b>		
C03000	Increase in guarantee deposits received	45	65
C04020	Repayment of the principal portion of lease liabilities	(8,243)	(6,031)
C04500	Cash dividends	(903,804)	(739,476)
C09900	Other-overdue dividends unclaimed	1,401	939
CCCC	Net cash flows used in financing activities	(910,601)	(744,503)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(32,307)	(33,144)
EEEE	Net increase in cash and cash equivalents	471,974	248,877
E00100	Cash and cash equivalents at the beginning of year	1,240,832	991,955
E00200	Cash and cash equivalents at the end of year	\$ 1,712,806	1,240,832

(Notes attached are part of the parent company only financial statements)

Chairman: (sealed)



Manager: (sealed)



Accounting Supervisor: (sealed)



**Yungtay Engineering Co., Ltd.**  
**Notes to Parent Company Only Financial Statements**  
**For the years ended December 31, 2020 and 2019**  
**(Amounts in Thousands of New Taiwan Dollars, unless specified otherwise)**

**1. GENERAL**

Yungtay Engineering Co., Ltd. (“YTEC” or the “Company”), a Republic of China (R.O.C.) corporation, was incorporated on July 9, 1966. YTEC is engaged mainly in manufacturing and selling all kinds of elevators, escalators and related spare parts and components as well as providing the after-sales services of installation, maintenance and repair. The principal operating items of YTEC’s subsidiaries are described in Note 4(3). The address of its registered office and principal place of business is 11F, No.99, Fu-Hsin N. Rd., Taipei, Taiwan, R.O.C.. YTEC’s shares were listed on the Taiwan Stock Exchange in November, 1989.

**2. THE AUTHORIZATION OF FINANCIAL STATEMENTS**

The accompanying parent company only financial statements were approved and authorized for issue by the Board of Directors on March 26, 2021.

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

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

New IFRSs

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Amendments to IFRS 3 “Definition of a Business”

Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

Amendments to IAS 1 and IAS 8 “Definition of Material”

Amendments to IFRS 16 “Covid-19-Related Rent Concessions”

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on The Company's accounting policies:

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

The Company adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to "could reasonably be expected to influence" and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

(2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers for application starting from 2021 and the IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2021

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS, "Extension of the temporary exemption from applying IFRS"	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"	January 1, 2021
Amendments to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020

Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

The Company elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. Before the application of the amendment, The Company was required to determine whether the abovementioned rent concessions are lease modifications and thus have to be accounted for as lease modifications.

The Company did not apply the amendment in 2020.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

#### Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The amendments clarify that for a liability to be classified as non-current, The Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether The Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, The Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or The Company’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of The Company’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **(1) Statement of Compliance**

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

##### **(2) Basis of Preparation**

###### **a. Basis of measurement**

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments (including derivative financial instruments) which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

###### **b. Functional and reporting currency**

The functional currency of the Company is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

##### **(3) Foreign Currency**

###### **a. Foreign currency transaction**

Transactions in foreign currencies are translated to the respective functional currencies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date

are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate on the date when fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

All exchange differences arising from the settlement or translation of monetary items are taken to profit or loss in the period in which they arise, except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

**b. Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at the exchange rates at the reporting date. The income and



expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising thereon from part of the net investment in the foreign operation and are recognized in other comprehensive income, and presented in the exchange differences on translation of foreign financial statements in equity.

#### **(4) Classification of Current and Noncurrent Assets and Liabilities**

An asset is classified as current under any one of the following conditions. All other assets are classified as non-current.

- a. The asset is expected to be realized, or sold or consumed, during the Company's normal operating cycle;
- b. The asset is held primarily for the purpose of trading;
- c. The asset is expected to be realized within twelve months after the reporting period; or
- d. The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

A liability is classified as current under any one of the following conditions. All other liabilities are classified as non-current.

- a. The liability is expected to be settled during the Company's normal operating cycle;
- b. The liability is held primarily for the purpose of trading;
- c. The liability is due to be settled within twelve months after the reporting period; or
- d. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

#### **(5) Cash and Cash Equivalents**

Cash comprises cash on hand and cash in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits (including foreign-currency deposits) meeting the aforementioned definition and held for the purpose of fulfilling short-term cash commitments rather than for investment or other purposes are classified under cash equivalents.

#### **(6) Financial Instruments**

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

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

##### **a. Financial Assets**

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis for which financial assets were classified

in the same way. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(a) Category of financial assets and measurement

Purchase or sale of financial assets is recognized or derecognized using trade date accounting.

Financial assets held by the Company are classified into subsequently the following categories: financial assets at fair value through profit or loss (FVTPL), financial assets measured at amortized cost and investment in equity instruments at fair value through other comprehensive income (FVTOCI) on the basis of both:

- i. The Company's business model for managing the financial assets and
- ii. The contractual cash flow characteristics of the financial asset.

(i) Financial assets at FVTPL

For certain financial assets which include debt instruments that do not meet the criteria of amortized cost or FVTOCI, it is mandatorily required to measure them at FVTPL. Any gain or loss arising from remeasurement is recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest earned on the financial asset. The measurement method of fair value please see Note 12.

(ii) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and

losses, and impairment loss, are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

(iii) Investments in equity instruments at FVTOCI

On initial recognition, the Company may irrevocably designate investments in equity investments that is not held for trading as at FVTOCI.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. On de-recognition, gains and losses accumulated in OCI of equity investments are reclassified to retained earnings instead of profit or loss.

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

(b) Impairment of financial assets

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

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

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, instead of profit or loss.

b. Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

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

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or is designated as at fair value through profit or loss.

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

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

#### Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### c. Derivative financial instruments

The Company holds derivative financial instruments to hedge its forward foreign currency exposures. Derivatives are recognized initially at fair value at the date the derivative contracts are entered into and are subsequently remeasured at their fair value at the end of each reporting period, and changes therein are recognized in profit or loss and presented under non-operating income and expenses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

### **(7) Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- a. In the principal market for the asset or liability, or
- b. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

#### **(8) Inventories**

Inventories are stated at the lower of cost or net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their existing location and condition. The cost of inventories is calculated using the weighted-average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less estimated costs of completion and the estimated costs necessary to make the sale.

#### **(9) Investments Accounted for Using Equity Method-Investment in associates**

Associates are those entities in which the Company has significant influence, but not control, over their financial and operating policies. When the Company holds 20% to 50% of the voting rights of the investee company, it assumes that it has significant influence and adopts equity evaluation

Under the equity method, investments in associates are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill, which is arising from

the acquisition, less any accumulated impairment losses.

The parent company only financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Company and associates are eliminated to the extent of the Company's interest in the associate.

When the Company's share of losses exceeds its interest in associates, the carrying amount of that investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has a present legal or constructive obligation or has made payments on behalf of the investees.

**(10) Investments Accounted for Using Equity Method-Investment in subsidiaries**

The Company's subsidiaries are accounted for using equity method when preparing their parent company only financial statements. Under the equity method, profit, other comprehensive income and equity in the parent company only financial statements are equivalent to those of the profit, other comprehensive income and equity which are contributed to the owners of the parent in the parent company only financial statements.

The Company's change in the ownership interests of the subsidiaries did not result in loss of control and were treated as an interest transaction with the owner.

**(11) Property, Plant and Equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.



Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives:

Categories of assets	Years
Building	
Main Building	10~55
Decoration Works	2~25
Electrical and Mechanical Engineering	5~15
Machinery and Equipment	5~15
Telecommunications Equipment	2~10
Transportation Equipment	2~10
Furniture and Fixtures	2~10
Research Equipment	2~10
Tools and Sundry Equipment	2~10

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Land is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

## **(12) Investment Properties**

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

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method over the following estimated useful lives:

Categories of assets	Years
Building	
Main Building	10~55
Decoration Works	3~10
Electrical and Mechanical Engineering	3~15

The Company decides to transfer into or from investment properties in accordance with the actual purpose of asset.

## **(13) Leases**

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

### **a. The Company as lessor**

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

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

### **b. The Company as lessee**

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at

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

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

#### **(14) Intangible Assets**

##### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

##### **Other intangible assets**

Other separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the following

estimated useful lives: computer software – 1~3 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### **(15) Impairment of Non-Financial Assets**

##### **Goodwill**

Goodwill is not amortized and instead is tested for impairment annually, or more frequently when there is an indication that the cash generating unit may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. If the recoverable amount of a cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

##### **Other tangible and intangible assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for

which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### **(16) Treasury Stock**

The Company's own equity instruments repurchased are recognized at repurchase cost (including attributable cost) and deducted from equity.

Any difference between the carrying amount and the consideration is recognized in equity.

The parent company's shares held by the subsidiary are accounted for treasury stock, and the cash dividends, distributed from the parent company to the subsidiary, are classified under the capital surplus-transaction of treasury stock.

#### **(17) Employee benefits**

##### **a. Short-term employee benefits**

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

##### **b. Pensions**

###### **(a) Defined contribution plans**

For defined contribution plans, the Company pays fixed contributions to an independent, publicly or privately administered pension fund. The Company has no further legal or constructive obligations once the contributions have been paid. The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid

contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

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

c. Termination benefits

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

d. Employees' compensation

Employees' compensation is recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. If the Company has the income before income tax for current year in case that the Company has no accumulated deficit, the appropriation of at least 1% of the income before income tax is required according to the Company's Article of Incorporation. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

**(18) Revenue Recognition**

a. Sale of Goods

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

The Company recognized the trade receivable after the completion of installation of elevator and inspection by the competent authority to be qualified, when the Company has the right to collect the consideration without any condition.

Any incremental cost incurred to obtain the contract would be capitalized as incremental cost for getting the contract within the scope of expected recovery, and be amortized in the same way followed by the recognition of revenue afterwards.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

b. Service provided

The revenue of maintenance and repair stipulated in the contract, during the period of maintenance, is recognized when performance obligations are satisfied along with the time of services provided.

c. Rental, dividend and interest income

Rental incomes are recognized on a straight-line basis over the lease term.

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

**(19) Taxation**

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

Current tax

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

The additional income tax (5% reduced from 10% since 2018) on unappropriated earnings of the Company is recognized as income tax expense in the year the shareholders, meeting approves the appropriation of earnings which is the year subsequent to the year the earnings are generated. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

In 2018, the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20% and integrated income tax system was abolished as well.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary



differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carry forwards and tax credits for research and development expenses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

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

#### Current and deferred tax for the year

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

**(20) Earnings per share**

Basic earnings per share is computed by dividing profit or loss attributable to the shareholders of the Company by the weighted-average number of common shares outstanding during the period. In computing diluted earnings per share, profit or loss attributable to the shareholders of the Company and the weighted-average number of common shares outstanding during the period are adjusted for the effects of dilutive potential common stock, assuming dilutive share equivalents had been issued.

The weighted-average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from retained earnings and capital surplus to common stock.

**(21) Operating segments**

The Company has disclosed the information of operating segments in the consolidated financial statements, hence the parent company only financial statements is not required to disclose the information of operating segments.

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

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

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

The Company's critical accounting judgments and key sources of estimation and uncertainty are as below:

**(1) Significant judgment of the application of accounting policies**

**Recognition of gross revenue or net revenue**

The nature of commitment to client is either the performance obligation of which the specific goods or services are provided by The Company itself (i.e.

The Company as the principal), or the performance obligation of which the goods or services are arranged and provided by the other party (i.e. The Company as agent), determined by The Company based on the type of transaction and its economic substance.

Before The Company transfer the specific goods or services to client, The Company controls the goods or services, then The Company is the principal, and the consideration, expected to entitle to get from the transfer of specific goods or services, is accounted for as the revenue. In case before the transfer of the goods or services to client, The Company doesn't control the goods or services, then The Company is agent, which means doing the arrangement of engaging the other party to provide the specific goods or services to client, and the arrangement is entitled to get any fee or commission which is charged as revenue.

The Company is determined to control the goods or services prior to the transfer of the specific goods or services to client, based on the following indicators:

- a. Responsible for the commitment of completing to provide the specific goods or services.
- b. Bearing the risk of inventory before the transfer of the specific goods or services to client or after the transfer of control.
- c. The price discretion to the specific goods or services.

## **(2) Significant accounting estimation and uncertainty**

### **a. Impairment of Tangible and Intangible Assets (Other Than Goodwill)**

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of elevator industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

There was no indication of impairment of tangible and intangible assets (other than goodwill) in 2020 and 2019, respectively.

**b. Impairment Assessment on Investment Using Equity Method**

The Company assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value may not be recoverable. The Company measures the impairment based on a projected future cash flow of the investees, including the underlying assumptions of sales growth rate and capacity utilization rate formulated by such investees' internal management team. The Company also takes into account market conditions and the relevant industry trends to ensure the reasonableness of such assumptions.

There was no indication of impairment of investment accounted for using the equity method in 2020 and 2019, respectively.

**c. Income Tax**

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary

differences together with future tax planning strategies, see Note 6(21).

**d. Valuation of Inventory**

Inventories are stated at the lower of cost or net realizable value, and the Company uses judgment and estimate to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid technological changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, see Note 6(5).

**e. Useful Lives of Property, plant and Equipment as well as Investment Properties**

The Company reviews the estimated useful lives of property, plant and equipment as well as investment properties periodically.

**f. Estimated impairment of financial assets**

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 6(4). Where the actual future cash inflows are less than expected, a material impairment loss may arise.

**6. Description of Major Accounting Items**

**(1) Cash and cash equivalents**

	December 31 2020	December 31 2019
Cash on hand	\$ 5,075	4,920
Deposits in banks		
Checking accounts	82,835	70,686
Demand deposits (including foreign currency deposits)	948,900	636,594

Cash equivalents		
Time deposits (including foreign currency deposits)	675,996	528,632
Total	<u>\$ 1,712,806</u>	<u>1,240,832</u>

a. The currency risk and sensitivity analysis of the Company's financial assets and liabilities was disclosed in the Note 13(1).d.

b. The Company had no cash and cash equivalents pledged as collateral.

(2) Financial assets -current

	December 31 2020	December 31 2019
Mandatorily measured at FVTPL:		
Mutual funds and publicly traded stocks	<u>\$ 857,397</u>	<u>791,342</u>
	December 31 2020	December 31 2019
Current	<u>\$ 857,397</u>	<u>791,342</u>
Non-current	<u>-</u>	<u>-</u>
Total	<u>\$ 857,397</u>	<u>791,342</u>

a. The Company disclosed the exposures of credit, currency and interest which were related with financial instruments in the Note 13.

b. The Company's financial assets were not pledged as collateral, please refer to Note 8.

(3) Investments in Equity Instruments at FVTOCI

	December 31 2020	December 31 2019
Stocks listed on market-current	<u>\$ 467,226</u>	<u>84,110</u>
Unlisted stocks-non-current	<u>85,449</u>	<u>85,449</u>
	<u>\$ 552,675</u>	<u>169,559</u>
	December 31 2020	December 31 2019
Current	<u>\$ 105,411</u>	<u>84,110</u>
Non-current	<u>447,264</u>	<u>85,449</u>
Total	<u>\$ 552,675</u>	<u>169,559</u>

- a. These investments in equity instruments are not held for trading. Instead, they are held for prudent and conservative strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.
- b. The Company, an investee company of the Group, has been accounted for using equity method. The Group recognized investment loss of 10,376 thousand by its share of profit or loss of investee company at first quarter in 2020. Due to sale of partial shares of TWNCAL in April, 2020, the Group ceased to have significant influence over TWNCAL and discontinued to use the equity method. The rest shares of 12,799,000 at its fair value of 243,181 thousand at that time were transferred to the accounting item-equity instruments at FVOCI-non-current. Please refer to NOTE 6(9).

(4) Notes and Accounts Receivable, net

- a. Measured at amortized cost:

	December 31 2020	December 31 2019
Notes receivable	\$ 222,545	188,074
Accounts receivable (including installments receivable)	987,384	1,038,274
Less: allowance for doubtful accounts	(19,240)	(31,422)
Less: unrealized interest income-current	(1,365)	-
Notes and accounts receivable, net	<u>\$ 1,189,324</u>	<u>1,194,926</u>

- (a) The Company's installments receivable directly sold to clients and have been collected by installments.
- (b) The Company's installments receivable, which have been matured over one year, are accounted for as other non-current assets-long-term installments receivable.
- (c) The following table details the loss allowance of trade receivables based on the Group's provision matrix, please refer to Note 13.(1)b(b) for more information.

(d) The following table details the loss allowance of notes and accounts receivable based on the Company's provision matrix:

December 31, 2020

Item	Not Past Due	Past Due 1~6 months	Past Due 7~12 months	Past Due Over 1 year	Total
Rate of expected credit loss computed using the weighted-average method	0.42%	1.50%	6.74%	24.83%	
Gross carrying amount	\$ 1,020,803	114,585	27,346	45,830	1,208,564
Loss allowance (Lifetime expected credit loss)	(4,300)	(1,716)	(1,844)	(11,380)	(19,240)
Amortized cost	\$ 1,016,503	112,869	25,502	34,450	1,189,324

December 31, 2019

Item	Not Past Due	Past Due 1~6 months	Past Due 7~12 months	Past Due Over 1 year	Total
Rate of expected credit loss computed using the weighted-average method	1.29%	2.78%	10%	24.2%	
Gross carrying amount	\$ 1,016,659	132,073	28,945	48,671	1,226,348
Loss allowance (Lifetime expected credit loss)	(13,083)	(3,669)	(2,894)	(11,776)	(31,422)
Amortized cost	\$ 1,003,576	128,404	26,051	36,895	1,194,926

b. The movement of the loss allowance of trade receivables (including notes and accounts receivable from related parties) and long-term installments receivable was as follows:

December 31, 2020

	Notes & Accounts receivable (related Parties included)	Lone-term accounts receivable	Overdue Receivables
Balance at January 1, 2020	\$ 31,422	-	1,042
Actual write-off during the year	(866)	-	-
Reclassified under long-term installments receivable	(343)	343	-



Overdue receivables transferred to accounts receivable	1,027	-	(1,027)
Expected credit loss (gain)	(12,000)	-	-
Balance at December 31, 2020	\$ 19,240	343	15

December 31, 2019

	Notes & Accounts receivable (related parties included)	Overdue Receivables
Balance at January 1, 2019	\$ 31,334	2,494
Actual write-off during the year	(1,364)	-
Transferred to overdue receivables	1,452	(1,452)
Balance at December 31, 2019	\$ 31,422	1,042

- c. The Company has not held any collateral, and nor have the notes and accounts receivable been pledged as collateral.

(5) Inventories

	December 31 2020	December 31 2019
Raw materials	\$ 364,394	289,817
Work in process	605,155	772,220
Construction in process	99,171	23,165
In-transit inventory	18,642	21,086
Subtotal	1,087,362	1,106,288
Less: allowance for inventory decline loss	(26,166)	(25,419)
Total	\$ 1,061,196	1,080,869

- a. Operating costs (excluding rental cost) which were related with inventories in 2020 and 2019, respectively, were as follows:

	Years Ended December 31	
	2020	2019
Operating costs transferred from inventories	\$ 4,433,988	4,000,234
(Gain) from price recovery of inventory	(1,059)	(2,941)
Inventories decline loss (gain from price recovery of inventory)	1,806	1,014
Revenue from sale of scraps	(6,515)	(6,245)

(Gain) loss from physical inventory taking	156	53
Underapplied overhead	5,689	1,193
Total	<u>\$ 4,434,065</u>	<u>3,993,308</u>

b. On sake of recognizing the inventory decline loss resulting from not ideal with prior years' sales price of some contracts, the Company accounted for gain from price recovery of inventory of NT\$1,059 thousand and NT\$2,941 thousand in 2020 and 2019, respectively, as a result of selling out the aforementioned inventories when completed gradually.

c. Due to the Company being not ideal with the contract case and unified purchase price, the net realizable value of the material PC board was lower than cost, resulting to decline loss of NT\$1,806 thousand and NT\$1,014 thousand in 2020 and 2019, respectively.

d. Inventories were not pledged.

#### (6) Prepayments

	December 31 2020	December 31 2019
Prepayment for purchases		
Domestic purchases	\$ -	19
Foreign purchases	6,601	7,283
Others	2,461	2,334
Total	<u>\$ 9,062</u>	<u>9,636</u>

#### (7) Refundable deposits

	December 31 2020	December 31 2019
Bid bond for construction, contract security deposit	\$ 60,760	47,826
Membership deposit for golf club	22,200	24,000
Membership deposit	400	400
Court deposit	473	473
Rental deposit	1,482	1,338
Others	1,639	1,628
Subtotal	<u>86,954</u>	<u>75,665</u>
Less: accumulated impairment loss	-	(1,800)
Total	<u>\$ 86,954</u>	<u>73,865</u>

	December 31 2020	December 31 2019
Current	\$ -	-
Non-current	86,954	73,865
Total	<u>\$ 86,954</u>	<u>73,865</u>

Accumulated impairment loss referred to the assessed impairment loss resulting from the ball card of golf club, which was held by the Company. In 2020, the Company returned its ball card, leading to the reverse gain of NT\$1,800 thousand.

(8) Investments accounted for using equity method

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

Item	December 31 2020	December 31 2019
Investment in subsidiaries	\$ 7,537,208	7,526,995
Investment in associates	146,778	332,434
Total	<u>\$ 7,683,986</u>	<u>7,859,429</u>

b. Investment in subsidiaries

Subsidiaries-carrying amount	December 31 2020	December 31 2019
Yungtay Engineering Co. (H.K.) (Yungtay HK)	\$ 5,732,845	5,747,566
Yungjiun Investment Co., Ltd.	26,435	20,712
Yungtay-Hitachi Construction Machinery Co., Ltd.	216,773	197,677
Better Win Investment Co. (SAMOA)	1,561,155	1,561,040
Total	<u>\$ 7,537,208</u>	<u>7,526,995</u>

Subsidiaries-% of Ownership and Voting Rights held by the Comapny		
Yungtay Engineering Co. (H.K.) (Yungtay HK)	78.72%	78.72%
Yungjiun Investment Co., Ltd.	100.00%	100.00%
Yungtay-Hitachi Construction Machinery Co., Ltd.	51.00%	51.00%
Better Win Investment Co. (SAMOA)	100.00%	100.00%

- (a) The Company recognized share of profit or loss, using equity method, of its subsidiaries which financial statements were audited by CPA. The related financial information of the Company's re-investment and investment in Mainland China refers to Table 3 of Note 14(2) and Table 4 of Note 14(3), respectively.
- (b) The board of directors of Yungtay (China) resolved in 2020 to distribute cash dividends of RMB 50,000 thousand (equivalent to 211,735 thousand). Yungtay HK, which holds 100% shareholding of Yungtay (China), received the aforementioned cash dividends. At same year, the board of directors of Yungtay HK was convened and resolved to distribute cash dividends of RMB 50,467 thousand (equivalent to 213,715 thousand). The Company, which holds 78.72% shareholding of Yungtay HK, received cash dividends of RMB 39,728 thousand (equivalent to 168,236 thousand), and Better Win Co., which holds 21.28% shareholding of Yungtay HK, received cash dividends of RMB 10,739 thousand (equivalent to 45,479 thousand).
- (c) The Company received cash dividends of NT\$18,631 thousand and NT\$26,695 thousand from Yungtay Hitachi Construction Machinery Co., Ltd., a subsidiary, which is accounted for using equity method, in 2020 and 2019, respectively.

c. Investment in associates

(a) Material associates: None.

(b) Aggregate information of individually immaterial associates:

Associates-carrying amount	December 31 2020	December 31 2019
Taiwan Calsonic Co., Ltd. (TWNAL)	\$ -	200,986
Evest Corporation	146,778	131,448
Total	\$ 146,778	332,434

Associates-shareholding ratio		
Taiwan Calsonic Co., Ltd. (TWNAL)	-	20.16%
Evest Corporation	41.22%	41.22%

The market price of the investments accounted for using the equity method in publicly traded stocks calculated by the closing price at the end of the reporting period is summarized as follows:

The closing price represents the quoted price in active markets, the level 1 fair value measurement.

(i) Name of Associate

	December 31 2020	December 31 2019
TWNCAL	\$ -	395,385

(ii) Aggregate information of associates that are not individually material was summarized as follows:

The Company's share of profit (loss) of associates	Years Ended December 31	
	2020	2019
Net income (loss) for the year	\$ 19,349	(14,895)
Other comprehensive (loss) income	\$ (381)	(4,037)
Total comprehensive income (loss)	\$ 18,968	(18,932)

d. No investments accounted for using equity method of the Company were pledged as collateral.

e. The Group disposed the ordinary shares of 101,000 of TWNCAL with proceeds of NT\$1,916 thousand, thus the ownership interest held by the Group reduced to 19%. Upon loss of significant influence over TWNCAL, the Group derecognized the related recognized other comprehensive income of NT\$(21,130) thousand and capital surplus of NT\$1,731 thousand, and the disposal of the abovementioned shares of TWNCAL is recognized in net profit of NT\$37,605 thousand. The rest shares of 12,799,000 were measured at fair value of NT\$243,181 thousand at the time of disposal. Due to the expectation of obtaining stable dividends through investment, the Group believe that recognizing short-term fluctuations in these investment's fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. Accordingly, the Group elected to designate these investments in equity instruments as at FVTOCI – noncurrent. Please refer to Note 6(3).

- f. Due to the cease of using equity method to TWNCAL on April, 2020, the Group recognized share of profit or loss of its associates which financial statements as of March 31, 2020, were reviewed by CPA. The other associate, Evest Corporation, which financial statements were audited by other CPA.
- g. The Group received the cash dividend of NT\$14,014 thousand and NT\$24,525 thousand from Evest Corporation in 2020 and 2019, respectively.
- h. No investments accounted for using equity method of the Group were pledged as collateral.

(9) Property, plant and equipment

	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at Jan. 1, 2020	\$ 975,896	961,213	534,821	368,008	2,839,938
Additions	3,750	2,478	30,162	13,016	49,406
Disposals	-	(562)	(5,976)	(3,797)	(10,335)
Transfers	-	(539)	1,039	-	500
Balance at Dec. 31, 2020	<u>\$ 979,646</u>	<u>962,590</u>	<u>560,046</u>	<u>377,227</u>	<u>2,879,509</u>
Balance at Jan. 1, 2019	\$ 975,896	964,568	531,526	361,495	2,833,485
Additions	-	2,362	10,222	13,839	26,423
Disposals	-	(5,850)	(9,961)	(7,433)	(23,244)
Transfers	-	133	3,034	107	3,274
Balance at Dec. 31, 2019	<u>\$ 975,896</u>	<u>961,213</u>	<u>534,821</u>	<u>368,008</u>	<u>2,839,938</u>
<u>Accumulated depreciation and impairment</u>					
Balance at Jan. 1, 2020		\$ (723,230)	(415,494)	(327,948)	(1,466,672)
Additions		(17,578)	(26,194)	(10,688)	(54,460)
Disposals		296	5,976	3,764	10,036
Transfers		-	-	-	-
Balance at Dec. 31, 2020		<u>\$ (740,512)</u>	<u>(435,712)</u>	<u>(334,872)</u>	<u>(1,511,096)</u>
Balance at Jan. 1, 2019		\$ (711,358)	(398,732)	(324,812)	(1,434,902)
Additions		(17,722)	(26,722)	(10,569)	(55,013)
Disposals		5,850	9,960	7,433	23,243
Transfers		-	-	-	-
Balance at Dec. 31, 2019		<u>\$ (723,230)</u>	<u>(415,494)</u>	<u>(327,948)</u>	<u>(1,466,672)</u>
<u>Carrying amounts</u>					
Dec. 31, 2020	<u>\$ 979,646</u>	<u>222,078</u>	<u>124,334</u>	<u>42,355</u>	<u>1,368,413</u>
Dec. 31, 2019	<u>\$ 975,896</u>	<u>237,983</u>	<u>119,327</u>	<u>40,060</u>	<u>1,373,266</u>

- a. The trade counterparts of equipments upon disposal (scrapping included), were not related parties, with net disposing gain of NT\$43 thousand and loss of NT\$(1) thousand in 2020 and 2019, respectively.
- b. The aforementioned assets were mortgaged to banks as collaterals, please refer to Note 8.
- c. The capitalization of borrowing interests attributable to the aforementioned assets was NT\$0 in 2020 and 2019, respectively.
- d. The significant part of the aforementioned property, plant and equipment is depreciated using the straight-line method over their estimated useful lives, please refer to Note 4(11)3.
- e. Prepayment for equipment of the Company referred to the prepayment for equipment and property, which was accounted for the non-current assets on account of the delivery unfinished.
- f. The net transferred amount in 2020 and 2019, respectively, was shown below:

	Years Ended December 31	
	2020	2019
Prepayment for equipment transferred to telecommunications equipment	\$ -	107
Prepayment for equipment transferred to building	210	133
Land and building transferred (from) to investment property	(749)	-
Prepayment for equipment transferred to machinery equipment	1,039	2,952
Inventories transferred to machinery equipment	-	82
Total	\$ 500	3,274

(10) Right-of-use assets

- a. The movements in the cost, depreciation and impairment loss of the Company's right-of-use assets were as follows:

	<u>Buildings</u>
<u>Cost or deemed cost</u>	
Balance at January 1, 2020	\$ 20,557
Additions	1,841
Balance at December 31, 2020	<u>\$ 22,398</u>
Balance at January 1, 2019	\$ 1,348
Additions	19,209
Balance at December 31, 2019	<u>\$ 20,557</u>
<u>Accumulated depreciation and impairment losses</u>	
Balance at January 1, 2020	\$ (5,977)
Depreciation	(8,172)
Balance at December 31, 2020	<u>\$ (14,149)</u>
Balance at January 1, 2019	\$ -
Depreciation	(5,977)
Balance at December 31, 2019	<u>\$ (5,977)</u>
Carrying amounts	
December 31, 2020	<u>\$ 8,249</u>
December 31, 2019	<u>\$ 14,580</u>

- b. The items of liabilities and profit or loss associated with lease contracts please refer to Note 6(15) for details.

(11) Investment properties, net

- a. The Movement of cost, depreciation and impairment loss of the Company's investment properties was as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost or Deemed Cost</u>			
Balance at Jan. 1, 2020	\$ 718,387	427,761	1,146,148
Disposals	-	-	-
Transfers	-	749	749
Balance at Dec. 31, 2020	<u>\$ 718,387</u>	<u>428,510</u>	<u>1,146,897</u>



Balance at Jan. 1, 2019	\$	718,387	427,761	1,146,148
Disposals		-	-	-
Transfers		-	-	-
Balance at Dec. 31, 2019	\$	<u>718,387</u>	<u>427,761</u>	<u>1,146,148</u>

Accumulated depreciation and impairment

Balance at Jan. 1, 2020	\$	(818)	(249,672)	(250,490)
Depreciation expense		-	(5,966)	(5,966)
Disposals		-	-	-
Transfers of impairment loss		-	-	-
Balance at Dec. 31, 2020	\$	<u>(818)</u>	<u>(255,638)</u>	<u>(256,456)</u>

Balance at Jan. 1, 2019	\$	(818)	(243,908)	(244,726)
Depreciation expense		-	(5,764)	(5,764)
Disposals		-	-	-
Transfers of impairment loss		-	-	-
Balance at Dec. 31, 2019	\$	<u>(818)</u>	<u>(249,672)</u>	<u>(250,490)</u>

Carrying amounts

Dec. 31, 2020	\$	<u>717,569</u>	<u>172,872</u>	<u>890,441</u>
Dec. 31, 2019	\$	<u>717,569</u>	<u>178,089</u>	<u>895,658</u>

	<u>Years Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
The rental income from investment properties	\$ 31,096	30,941
Less: Direct operating expenses arising from the investment property that generated rental income during the period	(2,229)	(2,019)
Direct operating expenses arising from the investment property that did not generate rental income during the period	(61)	(68)
Total	<u>\$ 28,806</u>	<u>28,854</u>

- b. The aforementioned assets were mortgaged to banks as collaterals, please refer to Note 8.
- c. In order to get the information of the fair value of the investment properties, the Company referred to the actual registered selling prices of the nearby real estates provided by local agents in Taiwan, R.O.C.. The market price of the aforesaid investment properties was NT\$1,780,816 thousand and NT\$1,892,182 thousand as at December 31, 2020 and 2019, respectively.
- d. The net transferred amount in 2020 and 2019, respectively, was shown below:

	Years Ended December 31	
	2020	2019
Land and building transferred to investment properties	\$ 749	-

- e. There is no significant part to the aforesaid investment properties, and the depreciation is calculated using the estimated useful lives, please refer to Note 4(12).

(12) Intangible assets

The Movement of cost, amortization and impairment loss of the Company's intangible assets was as follows:

<u>Cost</u>	Computer Software
Balance at Jan. 1, 2020	\$ 17,824
Additions	4,614
Elimination	(13,613)
Balance at Dec. 31, 2020	\$ 8,825
Balance at Jan. 1, 2019	\$ 23,301
Additions	443
Elimination	(5,920)
Balance at Dec. 31, 2019	\$ 17,824

Accumulated amortization and impairment

Balance at Jan. 1, 2020	\$ (14,871)
Amortization	(3,007)
Elimination	13,613
Balance at Dec. 31, 2020	<u>\$ (4,265)</u>

Balance at Jan. 1, 2019	\$ (16,068)
Amortization	(4,723)
Elimination	5,920
Balance at Dec. 31, 2019	<u>\$ (14,871)</u>

Carrying amounts

Dec. 31, 2020	<u>\$ 4,560</u>
Dec. 31, 2019	<u>\$ 2,953</u>

(13) Contract liabilities-current

	December 31 2020	December 31 2019
Elevator	\$ 1,836,793	1,960,883
Rental	7,205	1,520
Total	<u>\$ 1,843,998</u>	<u>1,962,403</u>

(14) Other payables

	December 31 2020	December 31 2019
Accrued bonus, wages and employee benefit \$ fee	47,340	62,875
Accrued value-added tax	28,243	29,172
Compensation payable to employees and directors	54,000	49,976
Accrued short-term paid leave payable (reter to Note 6(16)c.)	43,132	36,171
Other payables-other	52,511	52,706
Total	<u>\$ 225,226</u>	<u>230,900</u>

(15) Lease liabilities

		Year Ended Dec. 31	
	Dec. 31,2020	2020	Dec. 31,2020
	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Not later than 1 year	\$ 4,849	62	4,787
Later than 1 year and not later than 5 years	3,576	36	3,540
Later than 5 years	-	-	-
	<u>\$ 8,425</u>	<u>98</u>	<u>8,327</u>
Current	<u>\$ 4,849</u>	<u>62</u>	<u>4,787</u>
Noncurrent	<u>\$ 3,576</u>	<u>36</u>	<u>3,540</u>

		Year Ended Dec. 31	
	Dec. 31,2019	2019	Dec. 31,2019
	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Not later than 1 year	\$ 7,624	121	7,503
Later than 1 year and not later than 5 years	7,134	89	7,045
Later than 5 years	100	-	100
	<u>\$ 14,858</u>	<u>210</u>	<u>14,648</u>
Current	<u>\$ 7,624</u>	<u>121</u>	<u>7,503</u>
Noncurrent	<u>\$ 7,234</u>	<u>89</u>	<u>7,145</u>

The Company had no significant increase or decrease in lease liabilities, resulting from the addition or termination of lease contract in 2020 and 2019, respectively.

Amounts recognized in profit or loss were as follows:

	Year Ended December 31	
	2020	2019
Interest expense on lease liabilities	81	122
Expense relating to short-term leases	1,957	2,116
Expense relating to leases of low-value assets (excluding short-term leases of low-value assets)	1,989	3,063

Amounts recognized in the statements of cash flows were as follows:

	Year Ended December 31	
	2020	2019
Rental expense	\$ 3,946	5,179
Interest expense	81	122
Repayments of lease	8,243	6,031
Total cash outflow for leases	\$ 12,270	11,332

a. Leases of buildings

The Company leases buildings as company's branch offices with lease terms of 2 to 5 years.

Lease payments of some contracts will be subject to the change of local price index. And some lease contracts contain the options of extending the lease terms. Those contracts are managed by district, respectively. The specific terms and conditions of every contract are quite different within the Company. The Company is entitled to the options of implementation to which the lessor is not entitled. Under failure to make sure reasonably of the options of implementation of extending the lease terms, the related lease payments of the covering periods accompanied by the options will not be accounted for as the lease liabilities.

b. Others

The Company elects, when applying exemption to some contracts, not to recognize lease liabilities and right-of-use assets for leasing some office equipments, on account of either short-term leases within 1 year or leases of low value, and shall instead recognize the lease payments associated with those leases as an expense.

(16) Employees' retirement benefit plans

a. Defined benefit plans

The amounts arising from the defined benefit obligation of The Company were as follows:

	December 31 2020	December 31 2019
Present value of defined benefit obligation	\$ (1,648,080)	(1,620,407)
Plan assets at fair value	1,388,151	1,289,709
Net defined benefit liability	<u>\$ (259,929)</u>	<u>(330,698)</u>

The Company has defined benefit plans under the R.O.C. Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 15% of salaries paid each month to their respective pension funds (the Funds) in 2020 and 2019, which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, The Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, The Company is required to fund the difference in once or several times appropriation. The Funds are operated and managed by the government's designated authorities; as such, The Company does not have any right to intervene in the investments of the Funds.

(a) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by Supervisory Committee of the Labor Retirement Fund, Council of Labor Affairs, Executive Yuan. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance and Nan shan life insurance nonforfeiture values amounted to NT\$1,388,151 thousand as of December 31, 2020. For information on

the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of Supervisory Committee of the Labor Retirement Fund, Council of Labor Affairs, Executive Yuan.

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

	Years Ended December 31	
	2020	2019
Balance, beginning of year	\$ 1,620,407	1,679,914
Current service cost and interest expense	28,483	33,948
Net remeasurements on defined benefit liabilities:		
- Actuarial loss arising from experience adjustments	43,545	(18,576)
- Actuarial loss arising from changes in demographic assumptions	-	-
- Actuarial loss (gain) arising from changes in financial assumptions	53,246	6,960
Benefits paid	(91,863)	(81,839)
Effect of plan settlements	(5,738)	-
Balance, end of year	\$ 1,648,080	1,620,407

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

	Years Ended December 31	
	2020	2019
Balance, beginning of year	\$ 1,289,709	1,166,392
Interest income	8,998	8,745
Net remeasurement on defined benefit assets:		
Return on plan assets (excluding the interest expense)	43,250	43,715
Contributions paid by employer	138,057	152,696
Benefits paid	(91,863)	(81,839)
Balance, end of year	\$ 1,388,151	1,289,709

(d) The pension costs of the aforementioned defined benefit plans were recognized in profit or loss by the following categories:

	Years Ended December 31	
	2020	2019
Operating cost	\$ 11,721	20,016
Administrative expenses	4,622	2,768
Research and development expenses	2,421	2,419
Pension costs	<u>\$ 18,764</u>	<u>25,203</u>

(e) Gain (Loss) of remeasurement of the defined benefit plans after income tax recognized in other comprehensive income:

	Years Ended December 31	
	2020	2019
Recognized for the year	<u>\$ (42,833)</u>	<u>44,265</u>
Accumulated amount	<u>\$ (228,459)</u>	<u>(185,626)</u>

(f) Actuarial assumptions

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

	December 31 2020	December 31 2019
Discount rate	0.30%	0.70%
Expected rate of salary increase	2.00%	2.00%

(g) Historical information in relation to experience adjustments

The movement of the present value of defined benefit obligation for the years ended December 31, 2020 and 2019, respectively, was set forth below:

	December 31 2020	December 31 2019
Present value of defined benefit plan	\$ (1,648,080)	(1,620,407)
Plan assets at fair value	1,388,151	1,289,709
Net defined benefit liability	<u>\$ (259,929)</u>	<u>(330,698)</u>
Experience adjustments of present value of defined benefit plan	<u>\$ (43,545)</u>	<u>18,576</u>
Experience adjustments of fair value of plan assets	<u>\$ 43,250</u>	<u>43,715</u>



The Company expects to make contributions of NT\$68,330 thousand to the defined benefit plans in the next year starting from December 31, 2020. The weighted average duration of the defined benefit obligation is 8 years.

- (h) When computing the present value of defined benefit obligation, the Company has to make judgment and estimation to determine the relevant actuarial assumption at the balance sheet date, including the change of discount rate and future salary. The Company's defined benefit obligations would be affected significantly due to the change of any actuarial assumption.

As at December 31, 2020, the carrying amount of the Company's net defined benefit liabilities was NT\$259,929 thousand. When the discount rate is increasing 0.25% or decreasing 0.25%, the Company's recognized net defined benefit liabilities will decrease NT\$33,408 thousand or increase NT\$34,433 thousand; When the rate of future salary increase is increasing 0.25% or decreasing 0.25%, the Company's recognized net defined benefit liabilities will increase NT\$33,767 thousand or decrease NT\$32,939 thousand.

b. Defined contribution plans

The plan under the R.O.C. Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Act, The Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, the subsidiaries in the territory of Mainland China also make monthly contributions at certain percentages of the basic salary of their employees. Accordingly, The Company recognized expenses of NT\$64,416 thousand and NT\$68,980 thousand for the years ended December 31, 2020 and 2019, respectively.

c. Short-term paid leave payable

The Company recognized short-term paid leave payable of NT\$43,132 thousand and NT\$36,171 thousand as of December 31, 2020 and 2019, respectively.

(17) Equity

a. Capital stock

	December 31 2020	December 31 2019
(a) Authorized shares (in thousands)	460,000	460,000
Authorized capital (in thousands)	\$ 4,600,000	4,600,000
Issued and paid shares (in thousands)	410,820	410,820
Issued capital (in thousands)	\$ 4,108,200	4,108,200

(b) The Company has 408,690,200 ordinary shares outstanding at the beginning and the ending of year (the treasury stocks of 2,129,800 shares excluded), for the years ended December 31, 2020 and 2019.

b. Capital surplus

Under the Company Law, the capital surplus generated from the excess of the issuance price over the par value of capital stock (including the stock issued for new capital and mergers) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be appropriated as stock dividends, which are limited to not more than 10% of the Company's paid-in capital.

c. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and then set aside the following items accordingly:

- (a) Legal reserve at 10% of the remaining profit;
- (b) Special reserve in accordance with the resolution in the shareholders' meeting;
- (c) Any balance remaining shall be allocated according to the resolution in the shareholders' meeting.

The Company's profit distribution, at least 50% of which should be dividends and the proportion of cash dividends shall be at least 50% of the total dividends, depending on future expansion plans and cash needs.

The appropriation for legal reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses to the extent that the portion exceeds 25% of the paid-in capital if the Company incurs no loss.

A special reserve equivalent to the net debit balance of other components of shareholders' equity such as exchange differences on the translation of foreign operations, shall be made from unappropriated earnings. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings for 2019 and 2018 were approved in the Company shareholders' meetings held on June 18, 2020 and June 18, 2019, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2019	For Fiscal Year 2018	For Fiscal Year 2019	For Fiscal Year 2018
Legal reserve	\$ 93,967	67,474	-	-
Special reserve	\$ 306,716	923	-	-
Cash dividends to shareholders	\$ 903,804	739,476	2.2	1.8

The Company's appropriation of earnings for 2020 is not yet proposed in the Board of Directors meeting held on March 26, 2021.

The appropriation of earnings for 2019 was resolved in the Company shareholders' meeting which was held on June 18, 2020, and please go to the Market Observation Post System website of the Taiwan Stock Exchange for information on the appropriation of earnings for 2019.

d. Employees' compensation and remuneration to directors

(a) According to the Articles of Incorporation of the Company, the ratio of no less than 1% of pre-tax profit before the distribution of employees' compensation and remuneration for directors for employees' compensation and no more than 1% for directors' remuneration were accrued in 2020 and 2019, respectively, as follows:

	Years Ended December 31			
	2020		2019	
	Cash	Stock	Cash	Stock
Employees' compensation \$	48,600	-	44,978	-
Directors' remuneration \$	5,400	-	4,998	-

If the aforementioned amounts has changed after the annual financial reports being authorized for issue, the difference would be treated as a change in the accounting estimate and recognized as next year's profit or loss.

- (b) The employees' compensation and directors' remuneration for 2019 and 2018 resolved by the Board of Director convened on March 25, 2020 and May 13, 2019, respectively, were as follows:

	Years Ended December 31			
	2019		2018	
	Cash	Stock	Cash	Stock
Employees' compensation	\$ 45,354	-	38,249	-
Directors' remuneration	\$ 5,039	-	4,250	-

The discrepancy between the actual distributed amount resolved by the Board of Directors and the estimated figure recognized in the annual financial report, are recorded as a change in the accounting estimate and recognized as next years' profit or loss.

The information on the employees' compensation and directors' remuneration can be obtained from the Market Observation Post System on the website of the Taiwan Stock Exchange.

e. Other equity

- (a) Exchange differences on translation of foreign operations

	Years Ended December 31	
	2020	2019
Balance, beginning of year	\$ (284,952)	24,756
Shares of other comprehensive income (loss) of associates accounted for using equity method	95,637	(309,708)
Derecognition-other comprehensive income of disposal of partial investment in associate accounted for using equity method (Note 6(9))	20,350	-
Balance, end of year	\$ (168,965)	(284,952)

(b) Unrealized gain (loss) on financial assets at FVTOCI

	Years Ended December 31	
	2020	2019
Balance, beginning of year	\$ (22,687)	(25,679)
Share of unrealized gains (losses) on revaluation of financial assets at FVTOCI of associates accounted for using equity method	2,719	7,040
Derecognition-disposal of financial assets at FVTOCI of associates accounted for using equity method (Note 6(8))	780	-
Derecognition-accumulated profits (losses) transferred to retained earnings of investments in equity instruments designated at FVTOCI of associates accounted for using equity method	(2,750)	(2,002)
Derecognition-accumulated profits (losses) transferred to retained earnings of investments in equity instruments designated at FVTOCI	(1,667)	-
Unrealized gains (losses) on revaluation of financial assets at FVTOCI (Note)	112,716	(2,046)
Balance, end of year	\$ 89,111	(22,687)

The equity instruments at FVTOCI are measured at fair value, the changes of fair value in the subsequent period are accounted for other comprehensive income (loss) and accumulated into other equity. The cumulative unrealized gain or loss of equity instruments is directly transferred to retained earnings rather than reclassified to profit or loss when disposal.

(Note): Mainly referred to the rest shares of TWNCAL, which is designated at FVTOCI-noncurrent, after disposal of partial shares of TWNCAL in 2020 pursuant to the purpose of investment. The changes on revaluation of the aforementioned financial assets at FVTOCAL is accumulated in the account of other equity. Please refer to 6(8).

f. Treasury stock

The purpose of the Company's shares held by the subsidiary "Yungjiun" is to reduce the outstanding shares of the Company and accordingly to raise the earning per share and rate of return on equity. The relevant information in respect of the Company's share held by the subsidiary "Yungjiun" was as follows:

	Holding Shares	Initial Cost	Market Price
December 31, 2020	2,129,800	69,411	133,538
December 31, 2019	2,129,800	69,411	136,946

(18) Operating revenue

The relevant information of the Group's revenue from contracts with customers for the years ended December 31, 2020 and 2019, respectively, was as follows:

	Years Ended December 31	
	2020	2019
Net revenue from sales of goods	\$ 3,362,462	3,017,209
Net revenue from services		
Maintenance and repair	3,073,212	2,894,107
Rental	31,193	30,941
Total	\$ 6,466,867	5,942,257

- a. The above-mentioned revenue of maintenance and repair is deferred based on the fair value of providing services when the Company sells the goods during the period of quality guarantee by individual contract, and the revenue of maintenance and repair is recognized by using straight-line method when providing services.
- b. The deferred revenue is classified as current and noncurrent in accordance with the length of service as follows:

	December 31 2020	December 31 2019
Current	\$ 103,384	90,542
Non-current	\$ 56,556	42,879

c. Rental refers to the revenue from leasing investment property and computer host. Revenue is recognized when completing the performance obligation of the contract.

d. Contract balances

Contract liabilities-current

	Beginning balance	Ending balance	Difference
Net revenue from sales of goods	\$ 1,962,403	1,843,998	118,405

(19) Non-operating income and expenses

	Years Ended December 31	
	2020	2019
a. <u>Other gains and losses</u>		
Net gain on financial instruments at FVTPL	\$ 11,285	3,413
Net gain on disposal of property, plant and equipment	312	-
Net gain on disposal of property, plant and equipment	37,605	-
Net (loss) on obsolescence of property, plant and equipment	(269)	(1)
Reverse gain from impairment loss-financial assets	1,800	-
Other gains (reclassified under income resulting from confiscation of purchase return)	7,733	(922)
Other losses	(254)	7,482
Foreign exchange (loss), net	(1,615)	(2,171)
Total	\$ 56,597	7,801
b. <u>Finance costs</u>		
Interest expense-bank loans	\$ (93)	(59)
Interest expense on lease liabilities	(81)	(122)
Total	\$ (174)	(181)

(20) Summary of employee benefits, depreciation and amortization expenses by function:

	2020			2019		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits expenses						
Salaries	1,317,236	415,594	1,732,830	1,197,860	397,810	1,595,670
Labor and health insurance	113,931	27,998	141,929	107,981	26,654	134,635
Pension cost	64,697	18,483	83,180	61,074	33,109	94,183
Remuneration to directors	-	12,459	12,459	-	16,528	16,528
Other benefits expenses	136,363	31,236	167,599	127,875	22,252	150,127
Depreciation expenses	46,700	13,726	60,426	46,822	13,955	60,777
Depreciation expense-right-of-use assets	6,927	1,245	8,172	5,203	774	5,977
Amortization expenses	-	3,007	3,007	-	4,723	4,723

Note: a. The average number of employees for current year and previous year is 1,883 and 1,816, respectively, among which the directors who are not part-time employees are 6 and 8, respectively.

b. The average employees' welfare expenses in 2020 and 2019 is NT\$1,132 thousand and NT\$1,092 thousand, respectively.

$$\frac{[(\text{Total employees' welfare expenses for current year} - \text{Total directors' remuneration}) / (\text{The average number of employees for current year} - \text{The number of directors who are not part-time employees})]$$

c. The average employees' salary in 2020 and 2019 is NT\$923 thousand and NT\$883 thousand, respectively.

$$[\text{Total employees' salary for current year} / \text{the average number of employees for current year} - \text{The number of directors who are not part-time employees}]$$

d. The change ratio of adjustments of the average employees' salary expenses is 4.5%.

$$[(\text{The average employees' salary in 2020} - \text{The average employees' salary in 2019}) / \text{The average employees' salary expenses in 2019}]$$

e. The Company set up the audit committee instead of supervisor.

f. Compensation policy for directors and managers:

The payment of compensation for directors and managers is in accordance with the Company's compensation managerial regulation.



Compensation Committee should review the same industry's common payment standard periodically every year, and in consideration of the directors' and managers' involvement in the Company's operations and contribution to the Company as well as the performance and future operating risk, the amount of compensation for directors and managers stipulated in the aforementioned regulation would be adjusted and be submitted to Board of Directors for approval.

Compensation policy for employees:

- (a) Set up salary system based on employee's ability and performance, and involvement in the salary investigation, and review of the same industry's common payment standard, and eventually the adjustment would be made at right time.
- (b) The payment regulation is established individually in accordance with employee's work nature, work condition, work environment, different technical ability required as well as supply and demand of manpower market.
- (c) The compensation of employees is appropriated pursuant to the Company's Articles of Incorporation, and year-end bonus is contributed in consideration of employee's job title and position, performance and length of service.
- (d) Salary-raise assignment is proceeded unperiodically based on the Company's operating status, together with considering the domestic economic growth rate, price index and the status of salary-raise in the industry.

(21) Income tax

a. Income tax expense consisted of the following:

		Years Ended December 31	
		2020	2019
Current income tax expense			
Current tax expense recognized in the current year	\$	277,248	256,918
Investment tax credit		(3,000)	(3,000)

Withholding tax for dividends income pursuant to Regulations of Repatriated Offshore Funds	30,782	-
Over (under) estimation for prior years' income tax	5,200	-
Subtotal	310,230	253,918
Deferred income tax expense (benefit)		
Temporary differences incurred and reversed	4,002	16,276
Income tax expense recognized in profit or loss	\$ 314,232	270,194

b. Income tax (benefit) recognized in other comprehensive income

	Years Ended December 31	
	2020	2019
Deferred income tax (benefit)		
Related to remeasurement of defined benefit obligation	\$ (10,708)	11,066

c. A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	Years Ended December 31	
	2020	2019
Income before tax	\$ 1,623,332	1,209,862
Income tax expense at the statutory rate	\$ 324,666	241,972
Tax effect of adjusting items:		
Deductible items in determining taxable income	(22,556)	40,445
Supplementary pension cost according to Labor Law	(24,862)	(25,499)
Tax effect of investment tax credits	(3,000)	(3,000)
The origination and reversal of temporary differences	4,002	16,276
Withholding tax for dividends income pursuant to Regulations of Repatriated Offshore Funds	30,782	-
Over (under) estimation for prior years' income tax	5,200	-
Income tax expense recognized in profit or loss	\$ 314,232	270,194

d. The analysis of deferred income tax assets and liabilities in the parent company only balance sheets was as follows:

	December 31 2020	December 31 2019
Deferred income tax assets		
Differences of time of recognized revenue	\$ 91,878	73,399
Short-term employees' benefits	8,626	7,234
Unrealized sales profit among parent and subsidiaries	133	117
Differences of depreciation expenses	6,455	92
Unrealized foreign exchange loss	46	6,746
Unrealized investment loss of investee Co.	1,826	1,826
Temporary credits overdue 2 years	101	-
Difference of pension appropriation	51,986	66,140
Total	<u>\$ 161,051</u>	<u>155,554</u>
Deferred income tax liabilities		
Land incremental tax	\$ (2,702)	(2,702)
Temporary differences of depreciation expense	(964)	(2,173)
Total	<u>\$ (3,666)</u>	<u>(4,875)</u>

e. Income tax assessments

The tax authorities have examined and approved the income tax returns of the Company through 2018.

(22) Earnings per share

The Company is said to have a simple capital structure, accordingly, there is no necessity to compute the diluted earnings per share. The information of computing the basic earnings per share and the weighted-average number of common stocks outstanding (treasury stocks excluded) was as follows:

	Years Ended December 31	
	2020	2019
Net income available to common shareholders of the parent	1,309,100	939,668
The weighted-average number of shares outstanding in computing the basic earnings per share	408,690,000	408,690,200
Basic earnings per share (NT\$)	3.20	2.30

(23) Non-cash transactions in the Statements of Cash Flows

Only partial cash paid in investing activities:

	Years Ended December 31	
	2020	2019
Acquisition of property, plant and equipment	\$ 49,406	26,423
Plus: payables on equipment at beginning of year	-	-
Less: payables on equipment at ending of year	-	-
Cash paid in the year	\$ 49,406	26,423

**7. RELATED PARTY TRANSACTIONS**

The significant transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

(1) Related party name and categories

Name of Related Party	Relationship with the Company
Taiwan Calsonic Co., Ltd. ("TWNAL")	The Company as director of TWNCAL
Yungtay Hitachi Construction Machinery Co., Ltd. ("YHCCM")	Subsidiary
Yungjiun Investment Co., Ltd. ("YJIC")	Subsidiary
Evest Corporation ("Evest")	Associate
Yungtay Elevator Equipment (China) Co. ("YEEC-China")	Sub-Subsidiary
Jiyi Electric Co. (Shanghai, China) ("JEC-Shanghai")	Sub-Subsidiary
Hitachi, Ltd.	Hitachi, Ltd. as the representative of director of the Company
Yunttay Social Welfare Foundation ("YSWF")	Main Donee of the Company
Yungtay Education and Culture Foundation ("YECF")	Main Donee of the Company
All directors and key management of the Company (including general manager and executive vice presidents)	

(2) Significant transactions with related parties:

a. Net revenue

Related Party Name	Years Ended December 31	
	2020	2019
YEEC-China	\$ 8,755	2,458
Hitachi, Ltd.	11,288	19,511
Total	\$ 20,043	21,969

The Company sells the components of elevators such as speed governor, hoist machine, printed circuit board and motor case to sub-subsidiaries -YEEC-China and JEC-Shanghai, with the price of almost mark-up 20% of cost and collection terms from 1 month to 5 months, the same as those of ordinary customers. The downstream transactions that the Company sold the aforementioned components to the sub-subsidiaries, resulted in unrealized profit of NT\$664 thousand and NT\$583 thousand for the years ended December 31, 2020 and 2019, respectively.

The Company purchases raw from YEEC-China materials, which are processed to be finished product then sold back to YEEC-China. Due to the transaction being the nature of processing, this transaction is not accounted for as revenue. Consequently, the sales and accompanying cost of good sold will be reduced the same amount of NT\$3,862 thousand and NT\$18,290 thousand in 2020 and 2019, respectively.

b. Repair and maintenance revenue

Related Party Name	Years Ended December 31	
	2020	2019
TWNCAL	\$ 30	7
Evest	66	104
YHCMC	59	34
Total	\$ 155	145

c. Rental income

Related Party Name	Years Ended December 31	
	2020	2019
YHCMC	\$ 5,449	5,449
Evest	6,691	6,691
YJIC	18	18
Total	\$ 12,158	12,158

The Company rents out Taipei office, plant located at Luzu and computer software system to related parties. The rental price collected from the related parties is the same as that of the ordinary lessee, nevertheless, Evest issues check per month according to the contract signed by the Company and Evest, unlike the ordinary lessee who issues the check once a year, depending on the lease term with different time to cash check.

d. Purchases

Related Party Name	Years Ended December 31	
	2020	2019
TWNCAL	\$ 145	103
YEEC-China	190,006	215,441
JEC-Shanghai	152,431	3
Hitachi, Ltd.	35,694	11,922
Total	<u>\$ 378,276</u>	<u>227,469</u>

The Company purchases the rail bracket, escalator, counter weight and electrical parts from YEEC-China, JEC-Shanghai and TWNCAL. The finished high-speed elevator and subsequent parts for maintenance and repair of Hitachi brand designated by customers are purchased from Hitachi, Ltd.. (Note: the related parts of elevator of Yungtay brand are never purchased from Hitachi, Ltd.) Due to the purchases of the given type and specifications only from the aforesaid sub-subsidiaries, associates and other related party, the purchase price and payment terms to related parties can not compare with those of non-related vendors accordingly. The upstream transactions, on account of purchasing from sub-subsidiaries, resulted in unrealized intercompany profit of NT\$19,735 thousand and NT\$3,549 thousand for the years ended December 31, 2020 and 2019, respectively.

The payment terms, from 1 month to 3 months, for TWNCAL are almost the same as those of purchases from ordinary vendors. But for YEEC-China and JEC-Shanghai, the payment terms are from 2 months to 3 months after the aforesaid goods are delivered.

e. Notes and accounts receivable, other receivables, accounts payable, other payables and deposit received

Related Party Name	Years Ended December 31	
	2020	2019
<u>Notes receivable</u>		
Evest	\$ 1,164	1,212
YHCMC	5,676	-
Total	<u>\$ 6,840</u>	<u>1,212</u>
<u>Accounts receivable</u>		
TWNCAL	\$ 8	7
YHCMC	3	46
Evest	657	591
YEEC-China	476	417
Hitachi, Ltd.	445	608
Total	<u>\$ 1,589</u>	<u>1,669</u>
<u>Other receivables</u>		
YHCMC	\$ 42	46
Evest	200	181
Total	<u>\$ 242</u>	<u>227</u>
<u>Accounts payable</u>		
TWNCAL	\$ -	48
YEEC-China	42,127	46,502
JEC-Shanghai	34,905	-
Hitachi, Ltd.	-	39
Total	<u>\$ 77,032</u>	<u>46,589</u>
<u>Other payables</u>		
TWNCAL	\$ 5,676	-
YEEC-China	-	6,135
Total	<u>\$ 5,676</u>	<u>6,135</u>
<u>Deposit received</u>		
YHCMC	\$ 894	894
Evest	577	577
Total	<u>\$ 1,471</u>	<u>1,471</u>

f. Manufacturing overhead, Repair and Maintenance cost and Administrative expenses

Related Party		Years Ended December 31	
Name	Item	2020	2019
<u>Manufacturing overhead</u>			
TWNCAL	Repair expense	\$ 128	152
<u>Repair and maintenance cost</u>			
TWNCAL	Material	\$ 670	651
YHCMC	Rental expense	74	74
Total		\$ 744	725
<u>Administrative expenses</u>			
TWNCAL	Sundry expense	\$ 203	19
YSWF	Donation	2,100	4,200
YECF	Donation	6,300	4,200
Total		\$ 8,603	8,419

g. Other expenditure

Related Party Name	Item	Years Ended December 31	
		2020	2019
YHCMC	Finance expenditure	\$ 9	9
Evest	Finance expenditure	6	6
Total		\$ 15	15

h. Other income

Related Party Name	Item	Years Ended December 31	
		2020	2019
TWNCAL	Stock processing income	\$ 264	528
YHCMC	Information service income	-	41
Evest	Information service income	-	10
YEEC-China	Operating revenue from escalator	333	2,328
Total		\$ 597	2,907



i. Property transactions

(a) The Company has disposed property, plant and equipment to related party in 2020 and 2019, respectively: Nil.

(b) The Company purchased from the related parties the following items:

Related Party Name	Item	Years Ended December 31	
		2020	2019
YEEC-China	Machinery Equipment	\$ 89	-
JEC-Shanghai	Machinery Equipment	\$ 560	-

j. Remuneration to directors and key management of the Company

Related Party Categories	Years Ended December 31	
	2020	2019
Short-term employee benefits	\$ 40,846	38,194
Post-employment benefits	216	12,546
Other long-term employee benefits	68	34
Total	\$ 41,130	50,774

8. Pledged (Mortgaged) assets

The Company provided the following assets as collaterals:

Item	Purpose	December 31, 2020	December 31, 2019
Property, plant and equipment and investment properties -land	Collateral for long-term bank loans (net yet revoked)	\$ 458,051	458,051
Property, plant and equipment and investment properties -buildings	Collateral for long-term bank loans (net yet revoked)	7,024	12,909
Total		\$ 465,075	470,960

9. Significant contingent liabilities and unrecognized contract commitments

(1) Lessee's lease arrangements

The related treatment of lease has already follow the classification of IFRS 16.

The disclosed information please refer to Note 6(11) and 6(16).

(2) Lessor's lease arrangements

The Company leased its investment properties by the way of operating lease, please refer to Note 6(11). The future minimum lease receivable under the non-cancellable leasing period are as follows:

	December 31, 2020	December 31, 2019
Not later than 1 year	\$ 28,779	21,605
Later than 1 year and not later than 5 years	22,725	28,224
Later than 5 years	-	-
Total	\$ 51,504	49,829

(3) The amount of unused letters of credit: None.

(4) The Company received the deposits in advance and issued the secured promissory notes, amounting to NT\$179,018 thousand and NT\$144,069 thousand as of December 31, 2020 and 2019, respectively.

(5) The Company engaged the banks to contract the project performance bonds as below:

	December 31 2020	December 31 2019
Chang Hwa Bank - Chengtung Branch	\$ 8,244	23,571
Mizuho Bank - Taipei Branch	46,270	19,243
Mega Bank - Chungshan Branch	12,424	12,424
Total	\$ 66,938	55,238

(6) Responding to the needs of the clients with whom the Company has provided the specific elevators of the brand of non-Yungtay, the Company has entered into the following co-operation contracts with Hitachi, Ltd.:

No. of contract	Contract period	Technical cooperation products	Technical compensation fee
1.	Sep. 30, 2019 ~Sep. 29, 2024	Providing the related techniques of elevator, the installation of elevator and escalator, adjustment, and check, maintenance, quality assurance and remote monitoring diagnosis.	Pays US\$50 per elevator, and the royalty be paid in all once a year, and paid within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.

No. of contract	Contract period	Technical cooperation products	Technical compensation fee
2.	June 1, 2015 ~May 31, 2020	High-speed inverter control elevator	When the contract remains in full force, the Company should pay US\$300 on disposal of each elevator or another way to sell each elevator, and the royalty be paid in all once a year, and paid within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.
3.	May 22, 2017 ~May 21, 2022	Machine-roomless elevator	When the contract remains in full force, the Company should pay US\$300 on disposal of each elevator or another way to sell each elevator, and paid in all once a year, and paid within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.
4.	May 22, 2017 ~May 21, 2022	Large-scale freight elevator	When the contract remains in full force, the Company should pay US\$300 on disposal of each elevator or another way to sell each elevator, and be paid in all once a year, within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.
5.	Nov. 1, 2016 ~Oct. 31, 2021	High-speed inverter control elevator (HVF3 Voltage type)	When the contract remains in full force, the Company should pay US\$300 on disposal of each elevator or another way to sell each elevator, and be paid in all once a year, within 4 months

No. of contract	Contract period	Technical cooperation products	Technical compensation fee after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.
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The technical compensation fees, accounted for as expenses in 2020 and 2019, respectively, and calculated in accordance with the above co-operation contracts were as follows:

No. of contract	Amount	
	2020	2019
1	\$ 11	44
2	68	261
3	-	-
4	-	-
5	-	-
Total	\$ 79	305

The amounts and ratio of the Company's elevators sold in 2020 and 2019, respectively, by the category of brand were as follows:

	2020		2019	
	Amount	%	Amount	%
Brand-Yungtay	2,646,068	99.15	2,246,699	100.00
Brand-Hitachi	22,773	0.85	-	-

(7) Significant contract-construction in progress of property, plant and equipment:  
None.

(8) The Company has signed the contract of the assignment of business right with Taiwan New Min Ho Industrial Corporation ("Taiwan New Min Ho") due to business planning. The objects of assignment was the contracts of maintenance of mechanical parking equipment, which bore business right and obligation and was the contracts signed by the Company and the owners who own nationwide 112 parking lots (tower) and elevators. The total amount of assignment consideration was NT\$28,762 thousand (untaxed). The right and obligation of assignment have been done after the Company and Taiwan New Min Ho has agreed to get the written agreements recognized by either whole

owners who own the objects of assignment, or at least 70% owners' recognition plus maintenance fee of 3 consecutive months. As at December 31, 2020, the recognition of 70% owners has been done, still waiting for 3 consecutive months' maintenance fee collected by Taiwan New Min Ho. NT\$14,381 thousand, 50% of contract price, collected in advance, was accounted for as other advance receipts.

10. Losses due to major disaster: None.

11. Significant subsequent events:

The former chairman of the Company, Mr. Xu, Zuo-Ming, has submitted his resignation on March 26, 2021 due to his personal career planning. The Board of Directors has elected Mr. Nagashima Makoto, the representative of Hitachi, Ltd., as the new chairman of the Company.

12. Significant subsequent events:

As at the releasing date of the parent company only financial statements for the year ended December 31, 2020, the impact of COVID-19 pandemic has not caused significant influence to the going-concern ability, assets impairment and funding risk of the Company through the Company's, evaluation to COVID-19 pandemic. The Company will keep on observing and evaluating the impact of the foregoing from COVID-19 pandemic.

13. Others

(1) Financial instruments

a. Categories of financial instruments

	December 31 2020	December 31 2019
<u>Financial assets</u>		
FVTPL-current	\$ 857,397	791,342
FVTOCI-current and noncurrent	552,675	169,559
Cash and cash equivalents	1,712,806	1,240,832
Notes and accounts receivable (including related party)	1,189,324	1,194,926
Other receivables	2,408	759

Refundable deposits	86,954	73,865
Long-Term Notes Receivable	33,994	-
Other non-current assets-others (preferred stock-golf certificate)	5,520	5,520

Financial liabilities

Notes and accounts payable (including related party)	1,124,606	835,200
Other payables	225,226	230,900
Current income tax liabilities	148,685	118,537
Lease liabilities-current and noncurrent	8,327	14,648
Net defined benefit liabilities-non-current	259,929	330,698
Deposits received	5,525	5,480

b. Credit risk

(a) Exposure of credit risk

The Company's mainly potentially credit risk arises principally from cash and receivables from customers. Cash deposits in different financial institution. The Company has controlled the exposure to the credit risk of every financial institution, and cash would not have significant concentration of credit risk. Receivables are in the normal collection period, which have been assessed to provide appropriate loss allowance rate and assessed to be adequate for the loss allowance periodically. Consequently, there is no significant credit risk for cash and receivables. The Company's main operating revenue comes from the sale of elevator. The majority of costumers belong to constructions. As at December 31, 2020 and 2019, the accounts receivable of selling elevators accounted for 99.72% and 99.92% of all accounts receivable, respectively.

(b) Evaluation of impairment loss

The Company adopts the policy of the collection agreed and the contract signed individually to the sale of elevator, and the resulting accounts receivable bears no interest. The policy the Company adopts that only the counterparty whose credit rating is up to the level of investment is qualified to do the transaction with the Company, and if necessary, upon the Company's request, the full guarantee is required to mitigate the resulting risk of financial loss on account of delinquency. The Company

will utilize other publicly available financial information and historical transaction records to give credit-rating to major customers. The Company keeps on monitoring credit exposure and the credit-rating of counterparty. Besides, the financial division would review and approve the line of credit of counterpart to manage the credit exposure.

To alleviate the credit risk, the management of the Company assigns ad hoc Company who is in charge of the decision of line of credit, credit approval and other monitoring procedures to ensure that the recovery of overdue receivables has been taken proper action.

Other than this, the Company would review the recovery amount of accounts receivable one by one on balance sheet day to make sure that the appropriate impairment loss has been provided for the uncoverable receivables. Consequently, the Company's management has considered that the Company's credit risk has been significantly reduced.

The Company has adopted the simplified method of IFRS 9, i.e. the loss allowance for accounts receivable is recognized at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are computed using provision matrix, which measures customer's past default record, current financial position, industrial economic situation and also measures forecast of GDP and industrial outlook as well. From the historical experience of the Company's credit loss, there is no significant difference for the loss type resulting from different customers' Company.

Thus, the provision matrix is not further identified different customers' Company and instead sets up the rate of expected credit loss by overdue days of accounts receivable.

If there is any indication that the counterparty is facing serious financial difficulty and his recoverable amount can not be reasonably predicted, the Company will write-off the relevant accounts receivable. Nevertheless, the recourse activities will continue, and the recoverable amount due to recourse would be recognized in profit or loss.

c. Liquidity risk

Liquidity risk is the risk that the Company has no sufficient working capital and unused credit facilities to meet its obligations associated with matured financial liabilities, that may resulting from an economic downturn or uneven demand and supply in the market and cause a significant decrease in product selling prices and market demands.

Liquidity risk of the Company is monitored through its corporate treasury department which tracks the development of the actual cash flow position for the Company and uses input from a number of sources in order to forecast the overall liquidity position both on a short and long term basis. Corporate treasury invests surplus cash in money market deposits with appropriate maturities to ensure sufficient liquidity is available to meet liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's working capital together with existing unused credit facilities under its existing loan agreements will be sufficient to fulfill all of its contractual obligations. Therefore, management believes that there is no liquidity risk resulting from incapable of financing to fulfill the contractual obligations.

December 31, 2020	Carrying Amount	Contractual Cash Flows	Less Than 1 Year	1~2 Years	2~Years
Non-derivative financial liabilities					
Notes payable	\$ 361,107	361,107	361,107	-	-
Accounts payable	763,499	763,499	763,499	-	-
Other payables	225,226	225,226	225,226	-	-
Lease liabilities	8,327	8,425	4,849	1,984	1,592
December 31, 2019	Carrying Amount	Contract Cash Flows	Less Than 1 Year	1~2 Years	2~Years
Non-derivative financial liabilities					
Notes payable	\$ 278,997	278,997	278,997	-	-
Accounts payable	556,203	556,203	556,203	-	-
Other payables	230,900	230,900	230,900	-	-
Lease liabilities	14,648	14,648	7,503	7,045	100

d. Exchange rate risk

· Exposure of exchange rate risk

The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies



into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>December 31, 2020</u>			
<u>Financial asset</u>			
<u>Monetary items</u>			
USD	4,506	28.43	128,104
RMB	45,735	4.352	199,040
EUR	-	34.82	-
JPY	162	0.2743	45
<u>Non-Monetary items</u>			
USD	256,586	28.43	7,294,740
	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>December 31, 2019</u>			
<u>Financial asset</u>			
<u>Monetary items</u>			
USD	2,744	29.93	82,126
RMB	1,439	4.28	6,157
EUR	-	33.39	-
JPY	162	0.2740	45
<u>Non-Monetary items</u>			
USD	244,191	29.93	7,308,606

· Sensitivity analysis

	Years Ended December 31	
	2020	2019
(Loss)/profit of 1% change		
USD	\$ 1,281	821
RMB	1,990	62
EUR	-	-
JPY	-	-

e. The Company has loan limit from bank, but there is no any loan as of December 31, 2020. Consequently, no exposure of interest rate risk exists.

f. Fair value of financial instruments

(a) Fair value measurements recognized in the parent company only balance sheets.

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

(b) Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy

The following table presents the Group's financial assets and liabilities measured at fair value on a recurring basis:

		December 31, 2020			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements:					
<u>Financial assets at FVTPL</u>					
Fund investments	\$	857,397	-	-	857,397
<u>Financial assets at FVTOCI</u>					
Domestic listed equity investments	\$	467,226	-	-	467,226
Domestic and foreign unlisted equity investments	\$	-	-	85,449	85,449

		December 31, 2019			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements:					
<u>Financial assets at FVTPL</u>					
Fund investments	\$	791,342	-	-	791,342
<u>Financial assets at FVTOCI</u>					
Domestic listed equity investments	\$	84,110	-	-	84,110
Domestic and foreign unlisted equity investments	\$	-	-	85,449	85,449

(c) There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended December 31, 2020 and 2019, respectively.

(d) Reconciliation of Level 3 fair value measurements of financial assets

(i) The financial assets measured at Level 3 fair value were equity investments classified as financial assets at FVTOCI. Reconciliations for the years ended December 31, 2020 and 2019 were as follows:

		2020	2019
Balance at January 1	\$	85,449	85,449
Proceeds from return of capital of investments-decrease of capital		-	-
Balance at December 31	\$	85,449	85,449
Unrealized other gain (loss) for the period	\$	-	-

(ii) Valuation techniques that are based on significant unobservable inputs and assumptions used in Level 3 are stated as follows:

December 31, 2020

Item	Valuation techniques	Significant unobservable inputs	Relationship of input to fair value
Non-derivative equity instruments:			
Unlisted shares	Market comparative companies	<ul style="list-style-type: none"> <li>Price to net worth multiple (1~1.5 as at December 31, 2020)</li> <li>Discount for lack of marketability (20%~25% as at December 31, 2020)</li> </ul>	<ul style="list-style-type: none"> <li>The higher the multiplier, the higher the fair value;</li> <li>The higher the discount for lack of marketability, the lower the fair value;</li> </ul>

December 31, 2019

Item	Valuation techniques	Significant unobservable inputs	Relationship of input to fair value
Non-derivative equity instruments:			
Unlisted shares	Market comparative companies	<ul style="list-style-type: none"> <li>Price to net worth multiple (0.83~1.8 as at December 31, 2019)</li> <li>Discount for lack of marketability (15%~19% as at December 31, 2019)</li> </ul>	<ul style="list-style-type: none"> <li>The higher the multiplier, the higher the fair value;</li> <li>The higher the discount for lack of marketability, the lower the fair value;</li> </ul>

(iii) Sensitivity analysis in changes of significant unobservable inputs:

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

		Recognized in other comprehensive income	
		Favorable change	Unfavorable change
December 31, 2020	Input	Change	
Financial assets			
Equity instrument	Discount for lack of marketability	±5%	5,363 (5,363)

		Recognized in other comprehensive income	
	Input	Change	
			Favorable change
			Unfavorable change
December 31, 2019			
Financial assets			
Equity instrument	Discount for lack of marketability	±5%	5,015
			(5,015)

The Group's favorable and unfavorable changes refer to the fluctuation of fair value is computed from valuation techniques based on different level of unobservable input parameter.

## (2) Financial risk management objectives

The Company seeks to ensure sufficient cost-efficient funding readily available when needed. The Company manages its exposure to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material financial activities are reviewed by Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, Corporate financial function must comply with certain financial procedures that provide guiding principles for overall financial risk management and segregation of duties.

## (3) Capital management

The Board's policy is to maintain profound capital base so as to preserve the confidence of investor, creditor and market and to sustain the future development of the business. The Board of Directors monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The rate of return on capital (excluding interest expense) of the Company was 31.86% and 22.88% in 2020 and 2019, respectively. The ratio of net liabilities to total equity (leverage ratio) on the reporting day in 2020 and 2019, respectively, was as follows:

	December 31 2020	December 31 2019
Total liabilities	\$ 3,804,569	3,637,942
Less: cash and cash equivalents	(1,712,806)	(1,240,832)
Net liabilities	\$ 2,091,763	2,397,110
Total equity	\$ 11,834,028	11,235,419
Ratio of net liabilities divided by total equity (Leverage ratio)	17.68%	21.34%

The Company's approach of capital management has not changed as of December 31, 2020.

#### 14. Additional disclosures

##### (1) Significant transaction and (2) Related information of reinvestment:

- a. Financings provided: None;
- b. Endorsement/guarantee provided: None;
- c. Marketable securities held (excluding investments in subsidiaries and associates): Please see Table 1 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
- e. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- f. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 2 attached;
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
- i. Information about the derivative financial instruments transaction: None;
- j. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 3 attached.

##### (3) Information on investment in Mainland China

- a. The name of the investees in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or

outflow of capital, percentage of ownership, income (losses) of the investees, share of profits/losses of investees, ending balance, amount received as dividends from the investees, and the limitation on investee: Please see Table 4 attached.

- b. Significant direct or indirect transactions with the investees, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Note 7(2) attached.

(4) Information on major shareholders

Name of the shareholders at a minimum shareholding percentage of 5%, the number of shares and percentage of ownership: Please see Table 9 attached.

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2020  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 1

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2020			
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value
	Listed stock-O Commercial Bank		Financial assets at FVTPL-current	3,015,000	20,894	0.12%	20,894
	Beneficiary certificate-ETF, Yuanta Taiwan High-yield	"	"	130,000	3,894	-	3,894
	Beneficiary certificate-ETF, Yuanta Taiwan Top 50	"	"	60,000	7,335	-	7,335
	Beneficiary certificate-open ended fund-Franklin Templeton SinoAm Money Market Fund	"	"	4,858,378	50,665	-	50,665
	Beneficiary certificate-open ended fund-TSITC Taiwan Money Market Fund	"	"	3,279,334	50,612	-	50,612
	Beneficiary certificate-open ended fund-Taishin 1699 Money Market Fund	"	"	3,704,829	50,556	-	50,556
	Beneficiary certificate-open ended fund-Jih Sun Money Market Fund	"	"	3,368,478	50,359	-	50,359
	Beneficiary certificate-open ended fund-Mega Diamond Money Market Fund	"	"	3,978,833	50,332	-	50,332
	Beneficiary certificate-open ended fund-Prudential Financial Money Market Fund	"	"	3,151,314	50,279	-	50,279
The Company	Beneficiary certificate-open ended fund-Yuanta De-Li Money Market Fund	"	"	3,055,189	50,224	-	50,224
	Beneficiary certificate-open ended fund-Union Money Market Fund	"	"	3,770,398	50,183	-	50,183
	Beneficiary certificate-open ended fund-Eastspring Investment Well Pool Money Market Fund	"	"	3,654,917	50,119	-	50,119
	Beneficiary certificate-open ended fund-Tashin Ta Chong Money Market Fund	"	"	3,495,892	50,063	-	50,063
	Beneficiary certificate-open ended fund-The RSIT Enhanced Money Market Fund	"	"	4,150,790	50,049	-	50,049
	Beneficiary certificate-open ended fund-Capital Money Market Fund	"	"	3,076,488	50,040	-	50,040
	Beneficiary certificate-open ended fund-SinoPac TWD Money Market Fund	"	"	3,566,334	50,013	-	50,013
	Beneficiary certificate-open ended fund-KGI Victory Money Market Fund	"	"	4,284,233	50,000	-	50,000
	Beneficiary certificate-open ended fund-TCB Taiwan Money Market Fund	"	"	4,884,005	50,000	-	50,000
	Beneficiary certificate-open ended fund-Franklin Templeton SinoAm China A Shares Equity Fund	"	"	243,665	3,450	-	3,450



Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2020			
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value
Yungjun Investment Co., Ltd	Beneficiary certificate-open ended fund-Yuanta Taiwan High-yield Leading Company Fund	"	"	1,500,000	18,885	-	18,885
	Beneficiary certificate-open ended fund-Prudential Financial US Investment Grade Corporate Bond Fund-Acc (USD)	"	"	30,000	9,283	-	9,283
	Beneficiary certificate-open ended fund-Shin Kong Global Bond Fund-A (no dividend) (USD)	"	"	25,200	8,784	-	8,784
	Beneficiary certificate-open ended fund-Pine Bridge Global ESG Quantitative Bond Fund A (USD)	"	"	28,580	8,680	-	8,680
	Beneficiary certificate-open ended fund-TCB 2023 Maturity Selective Emerging Market Bond Fund (USD)	"	"	40,000	11,373	-	11,373
	Beneficiary certificate-open ended fund-Franklin Templeton SinoAm Global Healthcare Fund (USD)	"	"	24,214	8,192	-	8,192
	Beneficiary certificate-open ended fund-UPAMC Global Innovative Tech Fund (USD)	"	"	3,469	3,133	-	3,133
	Listed stock-O Commercial Bank	"	Equity instruments investments at FVTOCI-current	10,769,539	74,633	0.45%	74,633
	Listed stock-China Metal Products Co., Ltd.	"	"	707,000	22,483	0.19%	22,483
	Listed stock-Teco Electric and Machinery Co., Ltd.	"	"	300,000	8,295	0.01%	8,295
	Unlisted stock-Addcn Technology Co. Ltd.	"	Equity instruments investments at FVTOCI-non-current	148,000	2,265	18.50%	2,265
	Unlisted stock-Asia Hitachi Elevator	"	"	6,760	78,169	10.00%	78,169
	Unlisted stock-King's World Investment Co., Ltd.	"	"	21,090	900	0.03%	900
	Unlisted stock-TwNat Joint Venture Investment Co., Ltd.	"	"	812,693	4,115	6.82%	4,115
	Unlisted stock-UltraLife Taiwan Inc.	"	"	11,361,946	-	5.85%	-
	OTC stock-Taiwan Calsonic Co., Ltd.	"	"	12,785,000	361,815	19.977%	361,815
	Listed stock-the Company	Parent company	Treasury stock	2,129,800	133,538	0.52%	133,538
Yungjun Investment Co., Ltd	Listed stock-China Metal Products Co., Ltd.	Non-related party	Equity instruments investments at FVTOCI-non-current	477,000	15,168	0.12%	15,168
	Unlisted stock-Digitimes Inc.	"	"	78,750	2,038	0.42%	2,038
	Unlisted stock-Ultra Life Taiwan Inc.	"	"	900,000	-	0.46%	-

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 2

Company Name	Related Party	Nature of Relationships	Transaction Details				Transaction with different trading condition			Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	Note 2	
The Company	Yungtay Elevator Equipment Co. (China)	Sub-Subsidiary	Purchases	190,006	10.20%	2~3 months after the goods were delivered	Note 1	Note 1	42,127	5.52%	-	
The Company	Jiyi Electric Co. (Shanghai, China)	Sub-Subsidiary	Purchases	152,431	8.19%	2~3 months after the goods were delivered	Note 1	Note 1	34,905	4.57%	-	

Note 1: The purchase term of Yungtay Elevator Equipment Co. (China) to ordinary customers and related parties, please refer to Note 7(2).d.

Note 2: If there is any advances received (or payment), please describe the reason, the specified term of the contract, amount and any difference from the common transaction type in the footnote.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 3

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Share of Profits/Losses of Investee (Note 3) (Foreign Currencies in Thousands)		Note
				December 31, 2020 (Foreign Currencies in Thousands)	December 31, 2019 (Foreign Currencies in Thousands)	Shares	Percentage of Ownership	Carrying Amount (Foreign Currencies in Thousands)		US\$	NT\$	
The Company	Yungtay Engineering Co. (HK)	54F, Hopewell centre, 183 queen's road east, Hong Kong	Indirectly investing in Yungtay Elevator Equipment (China) Co.	US\$ 11,100 NT\$ 296,939 (Note 1)	US\$ 11,100 NT\$ 296,939 (Note 1)	11,183,510	78.72%	US\$ 201,666 NT\$ 5,732,845	US\$ 3,902 NT\$ 113,854	US\$ 2,517 NT\$ 73,440	Subsidiary, including net realized profit margin of NT\$16,186 thousand of intercompany's upstream transaction	
	Better Win Investment Co. (SAMOA)	Level 2, Lotemau Centre Vaea Street, Apia Samoa	Holding Company; Indirectly investing in Yungtay Elevator (China) through Yungtay Engineering (HK) (Note 2)	US\$ 33,500 NT\$1,045,647 (Note 1)	US\$ 33,500 NT\$1,045,647 (Note 1)	33,500,000	100.00%	US\$ 54,912 NT\$1,561,155	US\$ 875 NT\$ 25,537	US\$ 875 NT\$ 25,537		
	Yungjun Investment Co., Ltd.	11F, No.99 Fu-Hsin N. Rd. Taipei	Investment	85,000	85,000	8,500,000	100.00%	26,435	5,094	408	Subsidiary. The Company's share acquired by subsidiary is accounted for under treasury stock.	
	Hitachi Construction Machinery Co., Ltd.	No. 11, Ln. 17, Sec. 3, Nanshan Rd., Luzhu Dist., Taoyuan City	Agent for the trading of domestic and foreign construction machinery	65,280	65,280	6,528,000	51.00%	216,773	73,974	37,727	Subsidiary	
	Evest Corporation	3F., No. 11, Ln. 17, Sec. 3, Nanshan Rd., Luzhu Dist., Taoyuan City	SMT/LED/IC Packaging MEMS Packaging/Touch precision process equipment	614,666	614,666	7,007,172	41.22%	146,778	72,114	29,725	Associate	
Better Win Investment Co.	Yungtay Engineering Co. (HK)	54F, Hopewell centre, 183 queen's road east, Hong Kong	Indirectly investing in Yungtay Elevator Equipment (China) (Note 2)	US\$ 33,297	US\$ 33,297	3,022,570	21.28%	US\$ 54,704 NT\$1,561,364	US\$ 3,902 NT\$ 113,854	US\$ 830 NT\$ 24,228	The Company reinvests sub-subsidiary (HK Yungtay) thru subsidiary (Better Win Co.)	

Note 1: Investments of foreign currency are converted into investments of New Taiwan Dollars at the historical exchange rate.

Note 2: Indirect investments to Mainland China from investing company were disclosed at Table.

Note 3: The effect of unrealized profit or loss of intercompany's transaction has been considered while recognized share of profit or loss of the investee companies during the period.

Note 4: TWNCAL, an investee company of the Group, has been accounted for using equity method. The Group recognized investment loss of 10,376 thousand by its share of profit or loss of investee company at first quarter in 2020. Due to sale of partial shares of TWNCAL in April, 2020, the Group ceased to have significant influence over TWNCAL and discontinued to use the equity method. The rest shares of 12,799,000 at its fair value of 243,181 thousand at that time were transferred to the accounting item-equity instruments at FVOCI-non-current. Please refer to NOTE 6(3).

TABLE 4

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR YEAR ENDED DECEMBER 31, 2020  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

			Total Amount of Paid-in Capital (Note 6 and Note 7)	Method of Investment (Note 1) (Note 3)	Accumulated Outflow of Investment from January 1, 2019 (Note 7)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated Outflow of Investment from December 31, 2020 (US\$ in Thousands) (Note 7)	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses
						Remitted to Mainland China	Remitted back to Taiwan				
Investee in mainland China	Main Businesses Activities										
Yungtay Elevator Equipment (China) Co.	Manufacturing, Sale of elevator and escalator and related accessories		US\$ 56,000 thousand (NT\$1,566,971 thousand)	(Note 1) (Note 3)	US\$ 5,702 thousand (NT\$121,979 thousand)	-	-	US\$ 5,702 thousand (NT\$121,979 thousand)	RMB 26,060 thousand (NT\$112,648 thousand) (Note 4)	100.00%	112,648 thousand (Note 4)
Yungtay Elevator Equipment (Tianjin) Co.	"		RMB 200,000 thousand (NT\$907,680 thousand)	(Note 2) (Note 6)	-	-	-	-	(Note 4)	100.00%	- (Note 4)
Yungtay Elevator Installation Maintenance (Shanghai) Co.	"		RMB 20,000 thousand (NT\$95,197 thousand)	(Note 2)	-	-	-	-	(Note 4)	100.00%	- (Note 4)
Yungtay Elevator Equipment (Sichuan) Co.	"		RMB 152,000 thousand (NT\$736,573 thousand)	(Note 2) (Note 6)	-	-	-	-	(Note 4)	100.00%	- (Note 4)
Jiye Electric Co. (Shanghai, China)	"		RMB 109,000 thousand (NT\$523,370 thousand)	(Note 2) (Note 3)	-	-	-	-	(Note 4)	100.00%	- (Note 4)

Investee Company in Mainland China	Carrying Amount of investments in Mainland China as of December 31, 2020 (Note 7)	Accumulated Amount of Investment Income remitted back to Taiwan as of December 31, 2020	Accumulated Amount remitted from Taiwan to Mainland China as of December 31, 2020	Investment Amounts approved by Investment Commission, MOEA (Note 7)	Ceiling of investment in Mainland China imposed by Investment Commission, MOEA (Note 8)
Yungtay Elevator Equipment (China) Co.	7,204,353 thousand	US\$5,398 thousand and RMB339,621 Thousand (NT\$1,781,578 thousand)	121,979 thousand	293,208 thousand	Investee Co. invested directly by Yungtay (HK)
Yungtay Elevator Equipment (Tianjin) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital
Yungtay Elevator Installation Maintenance (Shanghai) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital
Yungtay Elevator Equipment (Sichuan) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital
JiYi Electric Co. (Shanghai, China)	- (Note 3)	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital
					7,100,417 thousand

Note 1: Investment in Mainland China through companies registered in a third region.

Note 2: Direct investment in Mainland China through an existing company incorporated in Mainland China.

Note 3: Yungtay Elevator (China) intended to merge JiYi Electric Co. (Shanghai, China), that was resolved by the board of director of Yungtay Elevator (China), and the merger date was scheduled on Dec. 31, 2019. For complying with the company's operating needs, the aforesaid merger agreement was no longer to be executed. Yungtay Elevator (China) is still the parent company of JiYi Electric Co. (Shanghai, China), which is 100% owned by Yungtay Elevator (China).

Note 4: The recognition basis of investment income or loss was calculated based on the financial statements audited by Taiwan parent company's CPA. The sub-subsiidiary-Yungtay Elevator (China) recognized the share of profit (loss) of sub-subsiidiaries-Tianjin yungtay, Shanghai Yuintay Installation & Maintenance, Shanghai JiYi, Vietnam Yungtay, Sichuan Yungtay which are all 100% owned by Yungtay Elevator (China), and recognized the share of profit (loss) of sub-sub-subsiidiary- Tianjin Yungtay

Installation & Maintenance, which is 100% owned by Sub-Sub-Subsidiary-Tianjin Yungtay. Tianjin Yungtay Installation & Maintenance has been liquidated in November, 2019.

Note 5: The Company owned 74% of Yungtay Elevator (China) through H.K. Yungtay, 78.72% ownership of Yungtay Elevator (China) was held by the Company after the transfer of shares in 2008, and the total ownership of Yungtay Elevator (China) is 100%, together with subsidiary-Better Win Investment Co. which holds 21.28% ownership of Yungtay Elevator (China).

Note 6: (1) Tianjin Yungtay has increased capital in cash in March, 2013, amounting to RMB 50,000 thousand, and the paid-in capital has been RMB 200,000 thousand as at December 31, 2020, which has been 100% ownership held by Yungtay Elevator (China).

(2) Sichuan Yungtay, incorporated on June 28, 2013, invested by Yungtay Elevator (China), which the registered and paid-in capital has been RMB 150,000 thousand. On account of Chengdu Yungtay which was merged with Sichuan Yungtay and was soon liquidated, the paid-in capital of Sichuan Yungtay has been RMB 152,000 thousand, which is 100% owned by Yungtay Elevator (China).

Note 7: The carrying amount of ending investment was translated into NT\$ from US\$ at the banking transaction exchange rate at the balance sheet date, and the investment amounts was translated at the exchange rate of original investment.

Note 8: The limitation pursuant to “Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China” is 60% of net worth or consolidated net assets, whichever is higher.

#### 15. Operating segments information

Please see Note 15 to the consolidated financial statements for the year ended December 31, 2020.

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Taiwan Hitachi Elevator Corporation	162,587,932	39.58%
Hezhu Investment Company, Ltd.	67,643,428	16.46%
Hitachi, Ltd.	31,817,168	7.74%
Otis Park Landscape Corporation Trusted by HSBC	24,932,000	6.06%

Note: The information on the major shareholder listed in the table above is based on the total number of ordinary and preferred shares (including treasury shares) owned by the shareholder at a minimum shareholding percentage of 5%, and which have been delivered as non-physical securities to the Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter. The actual number of shares delivered as non-physical securities and the number of shares recorded in the Company's consolidated financial statements may be different due to differences in the basis of preparation and calculation.

**(VI) Impacts of Latest Financial Difficulties Encountered by Company and Its Associated Enterprises on Company's Financial Standing in the Most Recent Year and Up to the Date the Annual Report Was Printed : Not applicable.**



## VII. Review, Analysis, and Risks of Financial Conditions and Performances

### (I) Financial Status Review and Analysis

Unit: NTD thousand

Items \ Year	2019	2020	Difference	
			Amount	%
Current Assets	14,396,688	16,444,657	2,047,969	14.23%
Real estate, manufacturing facilities and equipment	4,984,299	4,862,322	-121,977	-2.45%
Intangible Assets	38,324	35,275	-3,049	-7.96%
Other Assets	2,248,837	2,574,299	325,462	14.47%
<b>Total Assets</b>	21,668,148	23,916,553	2,248,405	10.38%
Current Liabilities	9,616,587	11,327,860	1,711,273	17.80%
Non-current Liabilities	626,216	546,393	-79,823	-12.75%
<b>Total Liabilities</b>	10,242,803	11,874,253	1,631,450	15.93%
Capital Shares	4,108,200	4,108,200	0	0.00%
Capital reserve	275,042	279,398	4,356	1.58%
Retained earnings	7,229,227	7,595,695	366,468	5.07%
<b>Total Equity</b>	11,425,345	12,042,300	616,955	5.40%
Increase/decrease change analysis description: (analysis of the rate of increase/decrease that was over 20% and the amount of change was NT\$10 million) None.				

## (II) Financial Performance Review and Analysis

	2019	2020		
	Amount	Amount	Amount Increase (Decrease)	Change Ratio
Operating Revenues	13,718,348	15,318,751	1,600,403	11.67%
Operating cost	10,450,970	11,486,244	(1,035,274)	9.91%
Gross Profits	3,267,378	3,832,507	565,129	17.30%
Operating Expenses	2,417,621	2,564,034	(146,413)	6.06%
Net Operating Income	849,757	1,268,473	418,176	49.27%
Non-business income and expenditure	395,400	352,894	(42,506)	-10.75%
Continuing Sales Department Pre-tax Net Profit	1,245,157	1,621,367	376,210	30.21%
Income Tax Expenses	265,708	276,020	(10,312)	3.88%
Continuing Sales Department Post-tax Net Profit	979,449	1,345,347	365,898	37.36%
Other Comprehensive Net Profit and Loss (Post-tax)	(265,343)	167,827	433,170	163.25%
Total Consolidated Gains and Losses for the Current Period	714,106	1,513,174	799,068	111.90%

- Increase/decrease ratio change analysis description: (analysis of the rate of change that was over 20%)
  - The increase in net operating income : It was due to the increase of revenue and gross profit, which resulted in an increase in net operating income for the period compared to the previous period.
  - The increase in continuing sales department per-tax net profit : It was due to the increase of revenue and gross profit, which resulted in an increase in profits for the period compared to the previous period.
  - The increase in continuing sales department post-tax net profit : Same description(2).
  - The increase in other comprehensive net profit and loss (Post-tax) : This was mainly due to the appreciation of CNY against NTD in 2020, the exchange difference arising from the translation of net assets of foreign operating institutions, and the change in fair value measurement at the end of the year of the Reinvestment Company - Taiwan Calsonic Co.
  - Total Consolidated Gains and Losses for the Current Period : Same description(2), (4).
- Reasons for changes in the company's main business content : None.
- Expectations and their basis and the main influencing factors for the company's expected sales growth to continue to grow or decline :

Items	Expected Sales Volume for the Next Year	Rationale
Elevators (Escalators)	36,080 units	The sales volume is estimated based on the existing unshipped contracts installed in 2021, the industry boom, the market competition status, the government's real estate control policies, the central bank's monetary policy, and the historical sales records.

### (III) Cash Flow Review and Analysis

#### 1. Cash Flow Change Analysis for the Current Year

Items \ Year	2019	2020	Increase (Decrease) Changes Ratio
Cash Flow Ratio	7.89%	15.66%	98.48%
Cash Flow Allowance Ratio	75.07%	79.50%	5.90%
Cash Reinvestment Ratio	-0.01%	5.34%	53500.00%

Increase/decrease ratio change analysis description :

Cash flow ratio, cash Reinvestment Ratio : This can mainly be attributed to the increase of net cash inflows through business activities caused by a growth in order volume and shipment volume.

#### 2. Cash flow analysis for the next year :

Cash balance at the beginning of the period ①	Annual net cash flow from operational activities ②	Annual cash outflow ③	Remaining cash (Insufficient) Amount ①+②-③	Insufficient Cash Amount Remedy Measure	
				Investment plan	Financial management plan
4,488,289	2,154,644	1,555,528	5,087,405	—	—

- (1) Business activities: The real estate market in Taiwan has benefited from the homecoming of Taiwanese businessmen and the low-interest rate with sufficient funds to offer. The overall property buying momentum continues to grow and the builders are confident in having more properties launched in the market. Therefore, the overall demand for elevators is also growing steadily. The company will adopt an active marketing strategy to increase market share. In terms of Mainland China, the Chinese government strives to promote the flexible, stable, and healthy property and land policies; therefore, the overall demand for elevators remains stable. Yungtay (China) will actively increase the orders for new elevators and reasonably reduce costs to corner more market share with a more competitive price offered. In addition, the cash inflow from operating activities is expected to go up continuously in the coming year due to the increasing installation of elevators in old buildings, renovation of old elevators, replacement of old elevators, and repair and maintenance service business.
- (2) Investment activities: The company's expected net cash outflow from investing activities in 2021 results from the replacement and renewal of the manufacturing equipment and outdated factories, investment in artificial intelligence (AI) and Internet of Things (IoT) equipment, and elevator engineering deposits, and Yungtay (China) R&D test tower construction expenditures.
- (3) Fund-raising activities: The company's net cash outflow from financing activities in 2021 is mainly due to the funds needed for the distribution of cash dividends.

#### 3. Insufficient cash remedial measures and liquidity analysis : Not applicable.

### (IV) The Major Impacts of Annual Capital Expenditure on Financial Operations during the Most Recent Fiscal Year :

The capital expenditures in 2020 were mainly on the replacement of production equipment, repairs of manufacturing facilities and the construction of the Yungtay (China) R&D testing tower. They had no major impacts on the financial standing of the Company.

**(V) Reinvestment Policy for the Most Recent Year, the Main Reasons for the Profits/Losses Generated, the Improvement Plans, and the Investment Plans for the Coming Year.**

1. The most recent annual reinvestment policy :

The Company's reinvestment policy is based on the elevator-related mechanical and electrical industries. There is no investment plan in the most recent year.

2. Main reasons for profit or loss and improvement plan :

The repair and maintenance services for the elevators in Taiwan are mostly performed by the manufacturers. The continuous increase in the number of elevators shipped will help increase the maintenance income annually with stable profits contributed to the company. The number of elevators shipped and installed by Yungtay (China) in 2020 had grown substantially from the year before despite the impact of the pandemic. The proper control of cost and expense has helped the company have the business operation profitable with profits contributed to the Group.

3. Investment Plans for the Coming Year :

The company will actively expand into overseas markets and seek new growth areas for our business.

**(VI) Risk items**

(1) The effects that interest, exchange, fluctuation, and inflation rates have on the profits and losses of the company as well as the future response measures :

Items	Effects to the Company's Profit and Loss	Future Response Measures
Interest Rate changes	The net income from interest for the Company in 2020 was NT\$56,021 thousand, accounting for 0.37% of the annual operating revenue and 5.53% of gross profits. The percentages were extremely low. Besides, the Company has no loans. Therefore, the change in the interest rate had no major effects on the Company's profits and losses.	No response measure is needed currently.
Exchange Rate Fluctuation	<ol style="list-style-type: none"> <li>Yungtay (China) 2020 annual operating revenue accounted for approximately 53% of the its consolidated financial statement. As the functional currency of the company's consolidated financial statement is in NTD, the exchange rate fluctuation of RMB against NTD will affect the company's profit and loss.</li> <li>Some of the company's procurement activities are made in foreign currencies, so the exchange rate fluctuations will also affect the profit and loss of the company.</li> </ol>	<ol style="list-style-type: none"> <li>Maintain close ties with the foreign exchange departments of the financial institutions, and collect relevant information on exchange rate changes at any time. In the future, Yungtay (China) will repatriate the surplus in order to properly hedge in the event of expected adverse effects from exchange rate changes.</li> <li>Properly use the derivative financial instruments such as forward foreign exchange contracts to avoid exchange rate risks.</li> </ol>
Inflation	The increase of the prices of raw materials such as steel and rare earth that account for a large proportion of production costs will have an adverse effect on elevator cost control and corporate profitability.	<ol style="list-style-type: none"> <li>The company has established a procurement promotion committee. Continuing to control raw material supply sources and inventory levels and plus the bargaining method of signing cross-strait collaborative purchase contracts to reduce the</li> </ol>

		<p>impact of fluctuations in raw material prices during company operations.</p> <p>2. In response to the increase in material prices, the company will adjust the price of the elevator appropriately.</p>
--	--	--

(2) Main policies for engaging in high-risk engagements, highly leveraged investments, endorsement guarantees, and derivative transaction policies; main reasons for profits and losses; and future response measures :

1. High risk and high leverage investments :

This company does not engage in high risk and high leverage investments.

2. Money loaned to others and endorsement guarantees :

Among the subsidiaries whereby the company directly or indirectly holds 100% of the voting shares, the funding or endorsement of funds due to actual operational needs are implemented after submitting to the Board of Directors for resolution in accordance with the "Financing and Fund Operation Endorsement Procedures", and declare it according to regulations.

3. Derivative commodity trading :

The company's derivative commodity transactions primarily consisted of forward foreign exchange contracts that circumvent the risk foreign currency exchange rate fluctuations, and are implemented after submitting to the Board of Directors for resolution in accordance with the "Financing and Fund Operation Endorsement Procedures", and declare it according to regulations.

(3) Future R&D plans and anticipated investments in R&D expenses :

Unit: NTD thousand

No.	Theme of Plan	Expected Investments in R&D Expenses
1	Small-Room System Development	5,500
2	Roomless System Development	3,400
3	Disk motor series development	1,500
4	New regulation elevator system development	9,800
5	Freight elevator development project	1,600
6	Machine Development of Old Elevator Renovation and Elevator Installation in Old Building	1,000
7	Home Elevator Development	2,300
8	Series W Autowalk of Public Transportation Development	5,000
9	Series W Autowalk of Public Transportation Escalator Electric Control System Development	2,500
10	GSC-LH1 host development	1,100
11	GSC-LL2 host development	500
12	GGC-MM host development	1,000
13	GGC-SM1 host development	1,000
14	GGC-SM host development	250
15	GDM-MM host development	2,000
16	GDM-MM1 host development	2,500

No.	Theme of Plan	Expected Investments in R&D Expenses
17	GDM-SM host development	2,500
18	GDM-ML host development	2,400
19	GDM-LL host development	4,000
20	GDM-LH host development	7,500
21	Development of forced-drive reluctance motors	800
22	High-speed Elevator Development	34,600
23	PCB Electromagnetic Interference Research and Suppression Technology Development	500
24	Intelligent Elevator System E Pass	500
25	Destination level Calling System	400
26	FT-3 Elevator Group Management Ssystem Development	300
27	Shaft Absolute Position System (APS) Development	500
28	Door Machine Control Panel Optimization	300
29	Service System SMART PHONE APP Development	100
30	Yungtay Central Surveillance System	200
31	MPU H8 to RX63N Conversion Development (Y12 Not EN)	500
32	Y12 Series (EN) Development	600
33	Computerized Test Bench	300
34	Y20 Control System Development	2,400
35	Y20S Control System Development	240
36	Electrical Peripheral Systems and Components Development	250
37	Intelligent Peripheral System	250
38	Veterans General Hospital 2500KG 180M/MIN	500
39	MPB270 Noise Improvement Development	100
40	Fire Door Certification	700
41	Large load roomless elevators (1150~2500KG)	700
42	Elevator IoT	500
	Total	102,590

Main impact factors for future R&D success :

1. Stabilized technical R&D team and strong cohesion.
2. Systematic technology, team establishment, adoption of mentor system or common learning, common sharing to facilitate passing-on of experience/knowledge and innovation.
3. Actively investing in self-development concerning the new CNS15827-20 regulations, and becoming the leading position in the industry.
4. Division of labor on development and co-development by Taiwan and China. Overall performance is maximized, and product competitiveness is increased by using specialties on both sides.
5. Existing systems have been examined. Cohesion and confidence among R&D staffs have been boosted by many ways. Performance and progress management have been implemented to make sure that staffs who work more will get more. Continuous optimization of development process and relevant operating system. Greater development efficiency and normativeness. Quick response to market.
6. Focusing on product quality and compliance. Avoid losing clients or repair/maintenance problem due to poor product quality.

7. Aiming at intelligence development and market survey on competitors to increase product competitiveness.
  8. Performing differentiation. Avoiding the high-end high-speed sector, which has lots of major international brand competitors. Focusing the strategies on residential and general business markets. Putting in resources precisely.
- (4) Impacts of important domestic and international policies and regulatory changes on the Company's financial performance and the countermeasures :
- Global stock markets collapsed, capital markets inactive, and global economic growth momentum slowed down significantly due to the outbreak of the COVID-19 pandemic in 2020. However, the overall housing market was hardly affected by the pandemic with the transaction price and volume increased stably, the market being active, and sales grew continuously. The economy in Taiwan is expected to grow moderately in 2021 with the expected moderate inflation and a quantitative easing monetary policy with unchanged interest rates upheld by the Central Bank of Taiwan. In addition, the Ministry of the Interior had passed the draft of the "Urban Renewal Act" to simplify the demolition procedures and to increase the construction capacity reward in order to speed up the urban renewal; therefore, the demand for elevators is expected to grow continuously. In terms of Mainland China, the Chinese government had the "GB/T 7588.1-2020 Safety Rules for the Construction and Installation of Electric Lifts" policies published for elevator equipment in 2020. The company has actively responded to the policies with product structure improved and more competitive products made. The economic growth is expected to reach 8% in 2021. The real estate industry will maintain the principle of "house for living in, not for speculation" and "city-specific policy." The company will adopt a flexible business model and active marketing strategy to gain more market share so as to secure the steady growth of the Group's business and financial operations.
- (5) Effects of technological changes and industrial changes on the financial standing of the company and the countermeasures : None.
- (6) Impacts of changes in the corporate image on the management of corporate risks and the countermeasures : None.
- (7) Expected benefits and possible risks of mergers and acquisitions : There are no merger or acquisition plans at the moment.
- (8) Expected benefits and possible risks of the expansion of manufacturing facilities : There are no expansion plans at the moment.
- (9) Risks encountered with focused purchases or sales : All the goods imported by the Company are commodities with sufficient supply on the market so shortage in materials is not a concern.
- (10) Impacts of transfer or exchange of stock options in large quantities by directors or heavyweight shareholders holding more than 10% of all shares on the Company and the risks : The result of the equity change of Yungtay is that the equity tends to concentrate on a few major shareholders, which means having confidence in the company's operating model and future development. It has no adverse impacts and risks on the Company.
- (11) Impacts of the change in the management on the Company and the risks : After the change of operation rights, professional managers are appointed to manage the company's operations, and the operation rights are separated from management rights which is in line with the direction of corporate governance. In the future, it will create a win-win situation for employees and shareholders.
- (12) Lawsuits and non-lawsuit events. Major lawsuits and non-lawsuits or administrative disputes with a finalized verdict or ongoing proceedings that involve the Company, the Company's directors, general managers, actual person in charge, and shareholders holding more than 10% of all shares, and the associated companies shall be listed. If the results are likely to have significant impacts on shareholders' equity or prices of securities, the facts, target value, and start date of the lawsuit, main clients involved, and handling status as of the date of the Annual Report was printed shall be disclosed : None.

(13) Other important risks and countermeasures :

The company had established the “Information Security Committee” in 2020 to improve information security risk management and held an information security review meeting on a quarterly basis to disclose information security policies and specific management plans.

1. The Company has complied with information security related laws and regulations and provided adequate protection measures for the company’s information assets to ensure its confidentiality, integrity, and usability, and as the highest guideline of the company’s information security management and operation.
2. Regularly assess potential hazards or impacts on the company’s information assets, and formulate contingency plan and recovery program for important information assets and key businesses to ensure the company’s continuous business operation.
3. Promote colleagues to implement information security protection tasks, and establish the related information security responsibilities, concepts, and code of conduct.
4. The manufacturers, customers, and a third party’s personnel who are using or in contact with the information environment of the company shall jointly comply with the relevant provisions of the company’s information security policy.

**(VII) Other important matters :** None.



## VIII. Special Notes

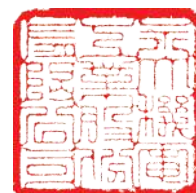
### Declaration on Consolidating Financial Statements of Yungtay Engineering Co., Ltd. and Its Affiliated Companies

#### And Associated Enterprises

Companies that should be included in the compiled Consolidated Financial Statement of Associated Enterprises for 2020 (from January 1, 2020 to December 31, 2020) in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are identical to those that should be compiled in the Consolidated Statement of Parent Company and Subsidiaries as per International Financial Reporting Standard 10 and all the information that should be disclosed in the Consolidated Financial Statement of Associated Enterprises has been disclosed in the Consolidated Statement of Parent Company and Subsidiaries. Therefore, the Consolidated Financial Statement of Associated Enterprises is not prepared separately.

Please take note of the above declaration.

Name of Company : Yungtay Engineering Co., Ltd.(Seal)



Person in Charge : Tso Ming Hsu (Seal)



March 26, 2021

# Yungtay Engineering Co., Ltd.

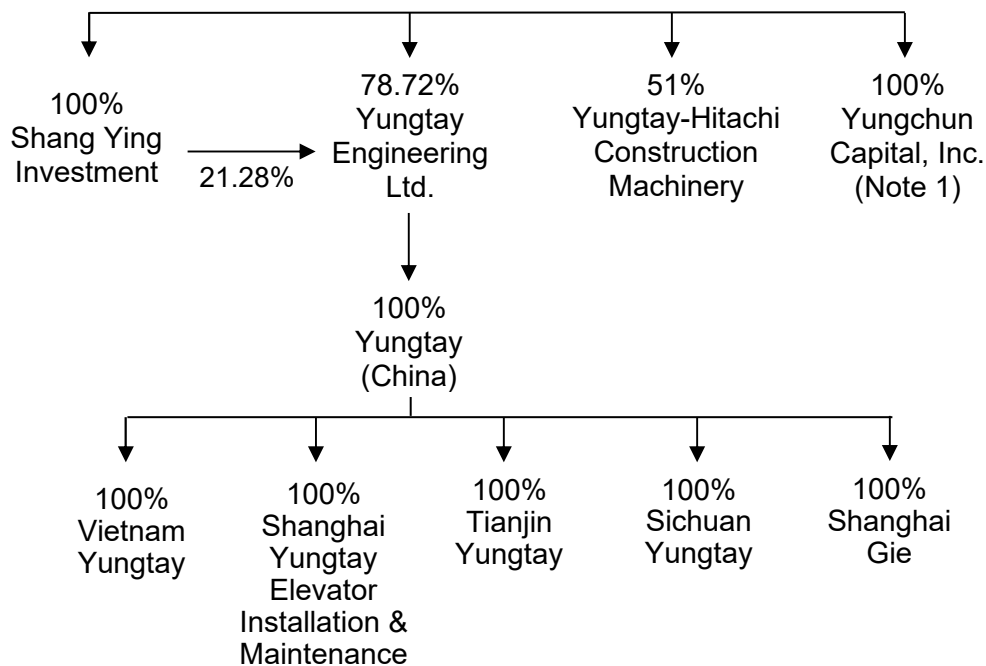
## 2020 Consolidated Business Report of Associated Enterprises

### I. Information of associated enterprises

#### (I) Overview of Associated Enterprises

##### 1. Organizational Overview of Associated Enterprises

##### (1) Organizational Chart of Associated Enterprises



Note 1: Yungchun Capital, Inc. holds 2,129,800 shares in Yungtay Engineering Co., Ltd. and is shown as equity instrument at fair value through other comprehensive income- non-current in the book.

- (2) Affiliated companies whose personnel, finance, or business operation are controlled directly or indirectly by the Company as required by Article 369-2 Paragraph 2 of the Company Act : None.

## 2. Profile of respective associated enterprises

Unit: NTD thousand

Name of Business	Date of Establishment	Address	Paid-in capital size	Main scope of operation or production
Yungtay Engineering Ltd.	1993/3/25	54F of Hopewell Center, No. 183, Queen's Road East, Hong Kong	US\$ 15,113	Investment
Yungtay Elevator Equipment (China) Co., Ltd.	1993/9/1	No. 99, Jiuxin Highway, Jiuting Township, Songjiang District, Shanghai	US\$ 56,000	Manufacturing, care, and installation of elevators
Yungchun Capital, Inc.	1998/4/27	11F, No. 99, Fuxing North Road, Taipei	NT\$ 85,000	General investment
Yungtay-Hitachi Construction Machinery Co., Ltd.	1998/9/25	No.11, Ln. 17, Sec. 3, Nanshan Rd., Luzhu Dist., Taoyuan	NT\$ 128,000	Dealership, repairs, and care of domestic and foreign construction machinery
Shanghai GIE EM Co., Ltd.	2005/11/24	No. 155, Jiujing Road, Jiuting Township, Songjiang District, Shanghai	RMB\$ 109,000	Research and development, production, processing and sales of motors, elevator hosts, elevator door machines, elevator parts, elevator components, industrial electrical control equipment and accessories, sales of self-produced products and after-sales service
Shang Ying Investment Co., Ltd.-Samoa	2007/12/5	Level 2, Lotemau Centre Vaea Street, Apia, Samoa.	US\$ 33,500	Investment
Tianjin Yungtay Elevator Equipment Co., Ltd.	2008/4/3	Tianjin Pharmaceutical and Medical Equipment Industrial Park (No. 3, Yongbao Road)	RMB 200,000	Manufacturing, care, and installation of elevators
Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd.	2008/7/28	Buildings 16, No. 650, Banting Road, Jiuting Township, Songjiang District, Shanghai	RMB 20,000	Care and installation of elevators
Vietnam Yungtay Elevator Co., Ltd.	2010/1/25	No 26 Duong Lam Son, Phuong 2, Quan Tan Binh, TPHCM	US\$ 800	Sales, care and installation of elevators
Sichuan Yungtay Elevator Equipment Co., Ltd.	2013/6/28	Puhe Road, Xindu District, Chengdu	RMB 152,000	Manufacturing, care, and installation of elevators

3. Associated enterprises with factories whose sales exceed 10% of the business revenue of the controlling company : Yungtay Elevator Equipment (China) Co., Ltd.

4. Data of common shareholders inferred to have control or to be in a subordinate relationship : None.

5. Industries covered in the scope of operation of associated enterprises as a whole :

The scope of operation of the associated enterprises of the controlling company and its affiliated companies includes manufacturing, care, and installation of elevators, dealership, repairs, and care of domestic and international construction machinery, and building automatic systems and flow monitoring systems and investment, etc.

The construction machinery(except for crane) and the parts sold by Yungtay-Hitachi Construction Machinery Company Limited are all purchased from Hitachi Construction Machinery Co., Ltd.

## 6. Profile of directors, supervisors, and general managers of individual associated enterprises:

March 31, 2021

Name of Business	Title	Name or Representative	Shares Held		Shares held by the representative	
			Quantity	Ratio	Quantity	Ratio
Yungtay Engineering Ltd.	Director	Yungtay Representative : Makoto Nagashima	11,183,510	78.72%	0	0%
	Director	Yungtay Representative : Shang Yu Tsai			0	0%
Yungtay-Hitachi Construction Machinery Co., Ltd.	Chairman	Yungtay Representative : Fong Chieh Tsai	6,528,000	51.00%	0	0%
	Director	Yungtay Representative : Makoto Nagashima			0	0%
	Director	Yungtay Representative : Chieh Jen Chang			0	0%
	Director and General Manager	Hitachi Construction Machinery Representative : Takunori Tsushima	6,272,000	49.00%	0	0%
	Director	Hitachi Construction Machinery Representative : Satoshi Asaoka			0	0%
	Supervisor	Tung Sheng Lin	0	0%	—	—
Yungchun Capital, Inc.	Chairman	Yungtay Representative : Makoto Nagashima	8,500,000	100.00%	0	0%
	Director	Yungtay Representative : Shang Yu Tsai			0	0%
	Director	Yungtay Representative : Chung Wen Wang			0	0%
	Supervisor	Yungtay Representative : Tung Sheng Lin			0	0%
Shang Ying Investment Co., Ltd	Director	Yungtay Representative : Shang Yu Tsai	33,500,000	100.00%	0	0%
Yungtay Elevator Equipment (China) Co., Ltd.	Legal representative and General Manager	Hong Kong Yungtay Representative : Makoto Nagashima	—	100.00%	—	—
	Director	Hong Kong Yungtay Representative : Shang Yu Tsai				
	Director	Hong Kong Yungtay Representative : Yoshitake Kanehara				
	Supervisor	Hong Kong Yungtay Representative : Tung Sheng Lin				
	General Manager	Yoshitake Kanehara				
Tianjin Yungtay Elevator Equipment Co., Ltd.	Legal Representative and General Manager	Yungtay (China) Representative : Yoshitake Kanehara	—	100.00%	—	—

March 31, 2021

Name of Business	Title	Name or Representative	Shares Held		Shares held by the representative	
			Quantity	Ratio	Quantity	Ratio
	Director	Yungtay (China) Representative : Chen Kuan Chiang				
	Director	Yungtay (China) Representative : Hsing Chang				
	Supervisor	Yungtay (China) Representative : Chih Ang Chen				
Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd.	Legal Representative	Yungtay (China) Representative : Ke Min Ma	—	100.00%	—	—
	Director and General Manager	Yungtay (China) Representative : Yi Jhang Jhan				
	Director	Yungtay (China) Representative : Ci Shen				
	Supervisor	Yungtay (China) Representative : Chih Ang Chen				
Vietnam Yungtay Elevator Co., Ltd	Legal Representative	Yungtay (China) Representative : Shang Yu Tsai	—	100.00%	—	—
	General Manager	Yungtay (China) Representative : Yin Ze Yang				
Sichuan Yungtay Elevator Equipment Co., Ltd	Legal Representative and General Manager	Yungtay (China) Representative : Yoshitake Kanehara	—	100.00%	—	—
	Director	Yungtay (China) Representative : Chen Kuan Chiang				
	Director	Yungtay (China) Representative : Ciang Wang				
	Supervisor	Yungtay (China) Representative : Chih Ang Chen				

Name of Business	Title	Name or Representative	Shares Held		Shares held by the representative	
			Quantity	Ratio	Quantity	Ratio
Shanghai Gie EM Co., Ltd.	Legal Representative and General Manager	Yungtay (China) Representative : Yoshitake Kanehara	—	100.00%	—	—
	Director	Yungtay (China) Representative : Ting Hsien Tsai				
	Director	Yungtay (China) Representative : Tung Chang				
	Supervisor	Yungtay (China) Representative : Chih Ang Chen				

(II) Overview of individual associated enterprises' operation

Financial condition and operational accomplishments of respective associated enterprises:

Unit: NTD thousand

Name of Business	Capital	Gross assets	Total liabilities	Net worth	Operating Revenues	Operating Interests	Gains and losses of the term (after tax)	Earnings Per Share (NTD)
1. Yungtay Engineering Ltd.	406,222	15,249,210	7,940,718	7,308,492	8,350,886	(174,553)	113,854	-
2. Yungtay Elevator Equipment (China) Co., Ltd.	1,566,971	15,145,072	7,940,719	7,204,353	8,350,886	(173,578)	112,647	-
3. Yungchun Capital, Inc.	85,000	159,972	0	159,972	0	(221)	5,094	0.45
4. Yungtay-Hitachi Construction Machinery Co., Ltd.	128,000	644,730	219,686	425,044	857,714	86,067	73,973	6.34
5. Shang Ying Investment Co., Ltd.- Samoa	1,045,647	1,561,157	0	1,561,157	0	0	25,537	-
6. Tianjin Yungtay Elevator Equipment Co., Ltd.	907,680	2,193,920	583,248	1,610,672	1,319,942	(3,174)	2,019	-
7. Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd.	95,197	534,893	71,832	463,061	151,144	1,736	9,518	-
8. Vietnam Yungtay Elevator Co., Ltd.	23,264	63,703	29,164	34,539	33,111	960	3,629	-
9. Sichuan Yungtay Elevator Equipment Co., Ltd.	736,573	1,499,322	1,022,853	476,469	990,476	(452)	187	-
10. Shanghai Gie EM Co., Ltd.	523,370	1,305,344	378,617	926,727	1,099,796	(422,829)	(14,165)	-

Notes : 1. The financial condition and operational accomplishments of Hong Kong Yungtay and Yungtay Elevator Equipment (China) are prepared with the values shown in consolidated statements.

2. The financial statements show values in US Dollar or RMB. For assets and liabilities and profits and losses, they are converted to NTD thousand according to the spot exchange rate and mean exchange rate on the date of report.

3. Tianjin Yungtay Elevator Installation and Maintenance Co., Ltd., a 100% owned subsidiary of Tianjin Yungtay Elevator Equipment Co., Ltd., completed its cancellation on November 14, 2019.

(III) Affiliation Report : Not applicable.

**II. Organization of private placement securities : None.**

**III. Holding or disposal of the Company's shares by its subsidiaries in the most recent year and up to the date the Annual Report was printed**

Unit: NTD thousand; share

Subsidiary Name	Paid-in capital	Source of funding	The Company Ratio	Acquisition or disposal Date	Acquired shares and Amount	Disposed shares of and value	Investment gains and losses	Number of shares held as of the date the Annual Report was printed and Amount	Pledge created	The Company Value of endorsement and guarantee provided by the Company to the subsidiary	The Company Value lent by the Company to the subsidiary
Yungchun Capital, Inc.	180,000	Self-capital	100.00%	—	—	—	—	2,129,800 shares \$132,537 thousand	—	—	—

Notes : 1. The shares held by the subsidiary in the parent company are considered as the treasury stock, effective 2002; therefore, they do not affect the financial performance.

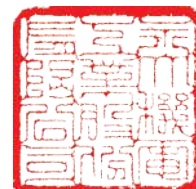
2. The subsidiary listed above was established in 1998 and no capital increase has been made ever since; therefore, it does not affect the Company's financial condition.

**IV. Other matters requiring supplementary information : None.**

**IX. Matters with important impacts on shareholders' equity or prices of securities as indicated in Article 36, Paragraph 3, Subparagraph 2 of the Securities Exchange Act in the most recent year and up to the date the Annual Report was printed : None.**



# 永大機電工業股份有限公司



Chairman Makoto Nagashima

