



TECO ELECTRIC & MACHINERY CO., LTD.

2019

Annual Report



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I. Letter to Shareholders



Dear Shareholders,

Looking back at 2019, beset by multiple uncertainties, including, Sino-U.S. trade friction, deteriorating Japan-Korea relationship, and Brexit, global economy and trade slackened, with major exporting nations scoring lackluster performance. Taiwan, however, staged an adequate performance, thanks to transferred orders resulting from the trade war, Taiwanese firms returning to Taiwan for investments, strong exports of information and communication, audiovisual, and electronic components and parts, and continuing private investments.

Adhering to the theme of "energy conservation, emission reduction, intelligence, and automation," the company managed to retain steady profits in 2019, via global deployment for tapping the needs of HVAC industry, solution sales of electromechanical products, PM/EV motors,

and remote smart health management for motors, plus lowering influence of external fluctuations via control and management projects.

A. Review of 2019 business performance

a. 2019 business status

1. Automation

- Production automation

Inaugurated in July 2019, the Vietnamese plant in Becamex industrial park boasts cutting-edge environment-friendly process and automated smart production line, promising to become the group's major production base.

- Automated marketing: Implement marketing digitalization plan, expanding and optimizing various high-performance marketing platforms and gradually executing business intelligence systems, to induce precision marketing and facilitate growth.

2. Products:

- Motor: In addition to high-efficiency smart motor, ship motor, permanent-magnet motor, and electric-vehicle motor.
- Automation and intelligent systems: New inverter series has been applied successfully in industrial fan and exhaust fan, industrial air conditioning system, metal processing, and vertical transport system, in addition to inroads into the realms of tension control for high-end servo market, smart grinder for mobile-phone glass, and lathe shaft.
- Energy and engineering: Successful inroads into offshore wind power, micro grid, Internet data center (IDC), smart building, PV power, and energy storage system, pocketing orders exceeding NT\$10 billion in value in 2019.
- Home appliances: Rollout of variable-frequency electromagnetic-suspension centrifuge for high-end energy-conservation market and whole-series variable-frequency DC light business air conditioners. Concerning refrigerators, in addition to expanding domestic market share for medium- and large-sized whole-series variable-frequency models, launch first indigenous variable-frequency business 1000L refrigerator and residential refrigerator with automatic switch between freezing and preserving modes, the first such model in Taiwan.

b. 2019 financial status, execution result of business plan, and profits

Consolidated report of the company and subsidiaries

Unit: NT\$1,000

| | 2019 | 2018 | Change |
|----------------------------------|------------|------------|--------|
| Net operating revenue | 47,909,358 | 50,104,927 | -4.4% |
| Operating income | 3,536,445 | 3,520,486 | 0.5% |
| Current net profit | 3,518,780 | 3,475,969 | 1.2% |
| Current comprehensive net profit | 6,039,690 | 3,908,980 | 54.5% |

- Consolidated operating revenue: In contrast to slackened domestic demands in Taiwan and China, revenues from major overseas markets grew, except Southeast Asia, where revenue dropped slight, due to intensified competition. Meanwhile, due to change in policy for non-strategic investments, leading to reduction in the number of acquisitions, overall revenue dropped from the previous year.

- Operating income: Thanks to higher gross margin for motor sales in North America and cost control at mainland Chinese plants, operating income rose by 0.5% over the previous year.
- Current net profit: Driven by increased non-operating income on rebounding global financial market and gain on valuation for financial assets and increased investment benefits, current net profit grew by 1.2%.
- Current comprehensive net profit: Due to increased unrealized gain on valuation for financial assets, current comprehensive net profit shot up 54.5%.

c. Financial strategy and shareholders' equity

Engaged mainly in R&D, production, and sales of industrial products in a mature traditional industry, the company has adhered to the principle of stable operation in financial strategy and determined proper liability/equity structure every year, according to expected cash flow, taking into account business plan, need of capital and working capital, and return on equity (ROE), based on actuarial estimation.

Table 1

| Year | Credit rating | Net profit (NT\$100 M.) | Cash flow ratio | Current ratio | Debt ratio |
|------|---------------|-------------------------|-----------------|---------------|------------|
| 2017 | twA+(stable) | 35.44 | 31.43% | 236.16 | 37.10 |
| 2018 | twA+(stable) | 34.76 | 23.86% | 241.22 | 36.41 |
| 2019 | twA+(stable) | 35.18 | 29.21% | 216.55 | 37.70 |

Given steady cash flow generated by business activities and adherence to stable and sustainable business strategy, Taiwan Ratings has been granting the company twA+ (stable) credit rating since 2012, enabling the company to float unsecured commercial papers or common corporate bonds on the primary market, in place of banking loans, cutting funding cost by near 40%, thanks interest spread of near 50 bps, plus prolonged funding period, which leads to long-term stable funding cost. Since 2015, Taiwan Ratings has further upgraded the company's credit rating to twA+, manifesting the company's solid credit standing, which boosts the company leverage and flexibility in fund raising and price negotiation, a solid cornerstone for the company to cope with various business challenges.

With the world being plagued by continuously trade frictions and a litany of economic black swans in recent years, the company, in the face of economic and financial tumult, will continue to seek strategic growth, boost products' cost competitiveness, and uphold a flexible supply chain, which will entail funding need several times previous years for establishing distributed production mode, carrying out smart manufacturing, and implementing digitalization via acquisition or alliance. Amid an economic environment full of uncertainty, the company will, as usual, maintain sufficient cash position and solid capital structure, to cope with the changeful situation and pursue sustainable development.

Backed by stable operation and finance, TECO Group has been able to create reasonable investment value for shareholders invariably. In recent years, application of IFRS9 accounting criteria has inflated book value of shareholders' equipment, due to unrealized gain on valuation for financial assets. After deducting unrealized gain on valuation, return on shareholders' equity has still stayed at 6.3-7.4%. Based on other consolidated comprehensive income in calculation, return on shareholders' equity hits 10%. Over the past year, the company has further improved return on shareholders' equipment of 0.18% of a percentage point, via adjusting organizational and financial structure, such as consolidation of some invested businesses, implementation of share buyback, and liquidation of assets. In the future, the company will continue embrace necessary measures, to uphold its long-term value.

B.Summary of 2020 business plan

a. Organic growth plan

Despite the existence of multiple variables in the general environment, the company will still spare no effort in seeking growth of core business, such as electromechanical products, for which the company has set up a task force to develop new products, such as permanent-magnet motor, auto electrical machinery products, and medium-voltage inverters. In addition, via global-account centralized management, the company will consolidate customer relationship and tap potential business opportunities and employ IIOTT to expand solution sales, in addition to offering customers platform for real-time maintenance, technology modification, and other services.

Already with over NT\$10 billion worth of orders in hands, the energy and engineering division will take advantage of smart automatic-control technology for engaging in the realms of PV power system, micro-grid, energy storage system, and energy management equipment, materializing the company's vision of "energy conservation and emission reduction." As for home appliances business, the company will continue the business strategy of 2019, dedicating to the development of whole-series variable-frequency energy conserving products for the sake of higher margin, plus enhancement of the value of air-conditioning engineering projects via employment of energy management system and high-end, high-efficiency, energy-conserving business air conditioners.

b. Strategic growth plan

1. SmartAuto

Dedicate to strengthening R&D capability and seeking strategic alliance, strategic investments, and merger and acquisition (M&A) opportunities, while striving to expand penetration rate of SmartAuto products to enhance revenue and profit via the following approaches:

- ✓ Applications of SmartAuto industry: industrial automation, robot, e-house integrated industrial air conditioning.
- ✓ SmartAuto module and system: knuckle system of collaborative robot, AGV and key components and parts, smart energy-storage power conversion system (PCS), MHm diagnostic system.
- ✓ SmartAuto control and industrial network: Motion servo controller, human-machine interface (HMI), programmable logic controller, industrial-computer controller, industrial Ethernet, 5G controller.
- ✓ SmartAuto product series: low-/medium-voltage inverter, integrated M+I machine, servo drive and motor, reducer, MS/CB, smart logistics products, such as transport and delivery robots, and smart retail products, such as automated smart vending machine, smart home-delivery cabinets, and smart locker.

2. Deployment and automation of manufacturing centers

To cope with the needs of growth of regional markets and capacity distribution, set up four major production centers (mainland China, Taiwan, Vietnam, and India) via integrating existing low-voltage motor production lines and supply chains. Introduce key process automation and global situation-room system, taking advantage of the company's IIoT technology, for real-time monitoring and improvement of the operation of major production and maneuvering of supply chains, via digitalized management. Meanwhile, given robust demands for energy-saving high-performance auto motors expected in mainland China and Asia-Pacific, continue investments in automated electric-wire winding production lines for use in permanent-magnet motors, and rotor visual kinetic equilibrium and automated magnetization and magnet-detecting equipment, to enhance quality liability and competitiveness of such new products.

3. Development of forward-looking products:

SmartAuto control and industrial network: Motion servo controller,

- ✓ Energy conservation:
PM & SRM high-performance motor, E-House, VB/VBAC
- ✓ Emission reduction:
EV motive-force system, ultra high-performance medium-voltage motor
- ✓ Intelligence:
E-ID, MHm diagnostic system, AGV, auto fleet management, smart retail
- ✓ Automation:
HD Precision bearing, knuckle system of robot, Matrix Converter

C. External competition, legal requirement and Macro Economy

Looking ahead at 2020, impacted by COVID-19 pandemic, major forecast bodies have predicted global economy will decline in the year. Taiwan's Cabinet-level Directorate General of Budget, Accounting, and Statistics (DGBAS) forecasts that Taiwan's economy will grow by 2.37% in 2020, compared with 2.4-2.7% growth rates predicted by other forecast bodies. In the face of the challenging environment, the company, in addition to the development axis of "energy conservation, emission reduction, intelligence, and automation," will implement digitalization, intensify marketing and production automation, thereby inducing growth with precision marketing. Moreover, while it will building secondary supply chain for parts of SmartAuto and electromechanical products, forming a remote backup mechanism to minimize the impact from external unfavorable factors to maintain steady growth and profitability.

The company has been granted the honors of golden award for Taiwan Top50 corporate sustainability report for six years in a row and corporate citizen award by Commonwealth magazine for eight years running. Adhering to the concept of sustainable development, the company has pledged to "20% emission reduction in 10 years" and rolled out "employee public-service account" this year, materializing the group's vision of "energy conservation, emission reduction, intelligence, and automation" according to the strictest criteria, thereby leading employees to contribute to a sustainable society, as well as forging an working environment with long-term development potential for employees, providing customers services with competitive value, and creating optimal investment returns for shareholders.

Sophia Chiu, Chairman
Lien Chao-chi, President
Lin Hung-ming, Accounting chief

II. Company Profile

Date of Incorporation: June, 1956

Company History

- 1956 Established
- 1970 Produced air conditioners and entered the home appliances market
- 1986 Joint venture with Westinghouse Electric to form TECO Westinghouse Motor
- 1989 Founded TECO Industry Malaysia Sdn. Bhd.
- 1990 Founded Toshiba Compressor (Taiwan) Corp. with Toshiba
- 1992 Established Yatec Engineering Corporation with Yaskawa Electric Manufacture Co., Ltd of Japan
- 1995 Acquired Westinghouse Motor Co., Ltd (USA)
- 1998 Founded TECO Electro Devices Co., Ltd. for manufacturing of stepping motors
- 1999 Founded TECO (Dong Guan) Air Conditioning Equipment Co., Ltd. for manufacturing and sales of commercial air conditioning
- 2000 Founded Suzhou TECO Electric & Machinery Co., Ltd for the production and distribution of small motors
- 2001 Established Smart Card Division for National Health Insurance IC-card project
- 2002 Founded Wuxi TECO with China Steel, Nippon Steel and Marubeni-Itochu Steel for production and distribution of large motors
- 2003 Wuxi TECO Electric & Machinery Co., Ltd commenced mass production Merged Tai-An Electric Co., Ltd.
- 2004 Exported large-sized LCD TV to Japan Established Jiangxi TECO Electric & Machinery Co., Ltd.
- 2005 Founded Yaskawa TECO Motor Engineering Corp. to expand to Japanese market Won bid of orange/blue line extension projects of TRTS project
- 2006 Strategic alliance with CTC to set up the first Wind Power Project in Texas, USA
Founded TECO (Vietnam) Electric & Machinery Co., Ltd.
Founded TECO Electric & Machinery (Chin-Tao) Co., Ltd. to manufacture compressors
- 2007 Joint venture with South Korea's Finetec Century in setting up a compressor manufacturing facility in Qingdao, China Launched into Wind-Power Generation; introduce a 2MW Wind-Power generator
Set up Asia Innovative Technology (Xiamen) to produce LCD monitors
Announced the "TECO Go Eco" declaration to join the cause of reducing carbon emissions
- 2008 Founded Fujian TECO Precision Co., Ltd.
Asia Innovative Technology Co., Ltd. (Xiamen) commenced operation
TECO Electric & Machinery (Qingdao) Co., Ltd. commenced production
- 2009 Completion of TECO Mexico plant
Inauguration of Qingdao TECO Century
Inauguration of Tianjin operating center
- 2010 Inauguration of Fujian Teco Precision Co., Ltd.
Rollout of TECO's first 2MW wind-power turbine
Inauguration of TECO Sichuan Trading Co., Ltd.
- 2011 Formal operation of TECO's large-scale 2MW wind turbine
Completion the new plant of Tai-An Technology (Wuxi) Co., Ltd.
Inauguration the new plant of TECO Middle East (TME)
- 2012 Gained corporate-citizen award granted by Common Wealth magazine
Announced whole series electric vehicle motor
TECO's 2MW wind-power turbine got golden medal of Taiwan Excellence Awards
- 2013 Grand opening of TECO's Turkey branch
Winning the "Award of Corporate Citizen" granted by Commonwealth magazine for the second time
Formation of strategic alliance with Kuenling Machinery Refrigerating Co., Ltd.
Issuance of renminbi-denominated Formosa bond

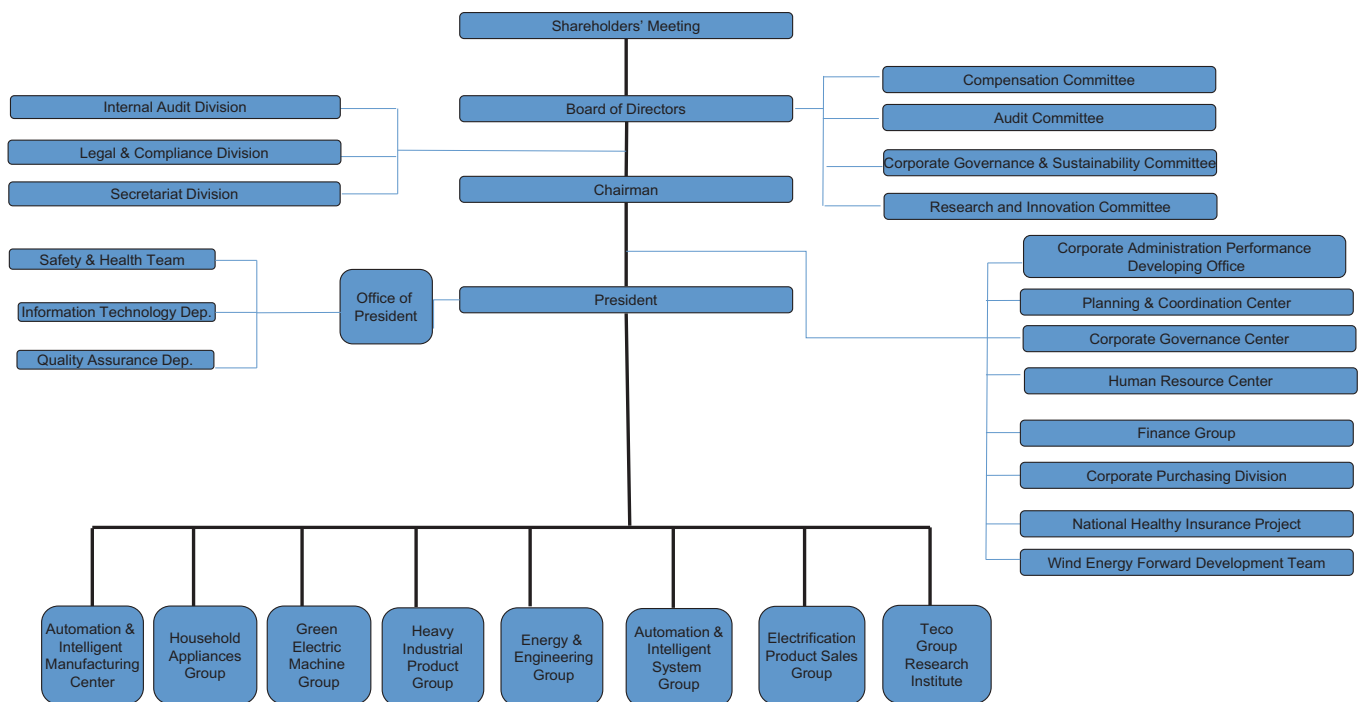


- 2014 Social harmony award & Champion for the category of big-enterprise technology at Taiwan Corporate Sustainability Awards(TCSA)
 “Award of Corporate Citizen” granted by Commonwealth magazine for the third consecutive year
 Nation’s foremost electric-machinery manufacturer, according to the study on the Top 2,000 enterprises conducted by the Commonwealth magazine
 Dedicated to pushing energy-conserving and environment-friendly products, TECO’s high efficiency motor, smart appliances and other seven products were awarded “Taiwan Excellence Award”
 Inauguration of Hunan TECO Wind Energy Limited
- 2015 Acquired Motovario S.p.A, extending the operation from motors to power transmission system, and facilitating expansion of TECO’s operation into Europe
 Erected a joint venture with China Steel Machinery, aiming at offshore wind turbine market
 “Award of Corporate Citizen” granted by Commonwealth magazine for the fourth consecutive year
 Acquired top 5% of Corporate Governance Evaluation for the first consecutive year
 Nation’s foremost electric-machinery manufacturer, according to the study on the Top 2,000 enterprises conducted by the Commonwealth magazine
- 2016 The diecasting center in Wuxi was opened with certification of LEED
 The automatic product center for motor stator was erected
 TECO’s 60 Anniversary, keeps moving forward to intelligent automation
 Social harmony award & Champion for the category of big-enterprise technology at Taiwan Corporate Sustainability Awards(TCSA) for the third consecutive year
 Acquired top 5% of Corporate Governance Evaluation for the second consecutive year
 “Award of Corporate Citizen” granted by Commonwealth magazine for the fifth consecutive year
 Nation’s foremost electric-machinery manufacturer, according to the study on the Top 2,000 enterprises conducted by the Commonwealth magazine
 Subscribed 100 million kWh green electricity which can decrease emission of 50,000 kg carbon
 Rotor with venting function acquired National Invention&Creation Prize
- 2017 Opening automatic stator manufacturing center to realize the spirit of “energy conservation, emissions reduction, intelligence and automation”
 Taiwan Corporate Sustainability Awards (TCSA) for the fourth consecutive year
 Acquired top 5% of Corporate Governance Evaluation for the third consecutive year
 “Award of Corporate Citizen” granted by Commonwealth magazine for the sixth consecutive year
 Nation’s foremost electric-machinery manufacturer, according to the study on the Top 2,000 enterprises conducted by the Commonwealth magazine
 TECO inked production/sales and technological cooperation agreement with Vieda of Finland
 Theodore Huang, chairman of TECO Group, was granted by the Japanese government the "Order of the Rising Sun."
 Granted National Innovation Award for Air-Quality Monitoring System
 TECO Smart E-Tricycle Wins 2018 System Integration Award
- 2018 Ground breaking for TECO's plant in Binh Duong province, Vietnam
 Granted Taiwan Corporate Sustainability Awards for fifth straight year
 Inclusion in top 5% among public companies in corporate governance evaluation for fourth year in a row
 Rollout of "Very High Power Density and Smart Motor"
 Signing of memorandum of understanding with Mitsubishi Vesta Offshore Wind for cooperation
 Granted "smart machinery golden awards" for the "automated motor-stator production center" at the Chungli plant
 Honor of emerging brands in Taiwan international brand awards
- 2019 TECO's high efficiency motor plant in Binh Duong province, Vietnam was inaugurated
 The intelligent food delivery service robot won the silver medal of Taiwan Excellence Awards
 Join hands with CIP to start the construction of the onshore substation at the Changfang and Xidao Wind Farm
 Taiwan Sugar Corp. x TECO builds Taiwan's first smart green energy recycling house.
 Taiwan Enterprise Sustainability Award (TCSA) for six consecutive years.
 Top 5% of corporate governance evaluation for five consecutive years.
 “Award of Corporate Citizen” granted by Commonwealth magazine for the eighth consecutive year.
 Selected as one of the constituent stocks of the FTSE4Good TIP Taiwan ESG Index
 Taipei City Public Construction Excellence Award.
 Information Technology Total Service is listed over the counter.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

| Business Unit | Operations |
|---|--|
| Heavy Industrial Products Group | Production of medium to large-sized 3-phase motors, medium to large-sized high-efficiency motors, medium to large-sized explosion-proof motors, medium to large-sized inverter-duty motors, DC motor and medium to large-sized generators. |
| Green Electric Machine Group | Production of single-phase motors, vehicle-used motors, permanent magnet motors, small-sized 3-phase motors, small-sized high-efficiency motors, small-sized explosion-proof motors, small-sized inverter-duty motors, small-sized generators, die casting. |
| Automation & Intelligent System Group | Production of inverters and programmable logic controllers, servo controllers and so on Production and sale of AGV(automated guided vehicle) |
| Energy & Engineering Group | Supplier of professional electric equipment and systems-related materials (R&D, design, production, and sales of equipment) Undertaking of projects related to power generation and transportation (transmission & distribution of power, power plant, alternative energy, and construction and maintenance of rail stations and airports, as well as railway power system); Air-conditioning equipment for specific environments such as clean rooms; Design, construction, and management of electrical engineering systems for high-rise buildings & Internet Data Center; Integration of air-conditioning and electrical engineering systems for hospitals and hotels; Water resource/water pump stations and other related projects; Ultra-high pressure 161KV/69KV substations switchgears and installation projects; Project of smart grid and energy storage; system integration business of solar power system; Production and sale of electromagnetic switch, molded-case circuit breakers and electronic relays |
| Household Appliances Group | Production, assembly, sales, and repair of residential air conditioners, refrigerators, washing machines, dehumidifiers, dryers, LCD monitors, air purifiers, small appliances, DVD recorders, stereo systems, health appliances, beauty appliances, freezer storages, low-temperature caged carts, freezers, chillers for machine tools, inverter duty water/oil cooling machine tool set, assembly-type air-conditioning box, VRF air conditioning set, Water-cooled wholly encased type/semi-encased spiral type/centrifugal icy-water machine set, cloud-end smart system, business air-cooled split-type air conditioner, water-/air-cooled packaged air conditioner, air-cooled chiller machine, fan filter unit, air vent, industrial-use dehumidifier, freezing/cooling machine, dealership of other domestic and foreign home appliances brands, as well as various types of air-conditioned products. |
| Electrification Products Sales Group | Sales of medium to large-sized 3-phase motors, medium to large-sized high-efficiency motors, medium to large-sized explosion-proof motors, medium to large-sized inverter-duty motors, DC motor, medium to large-sized generators, single-phase motors, vehicle-used motors, permanent magnet motors, small-sized 3-phase motors, small-sized high-efficiency motors, small-sized explosion-proof motors, small-sized inverter-duty motors, small-sized generators, die casting, small-sized coolant compressors. ; Sales of inverters and programmable logic controllers, servo controllers; Overseas sales of electromagnetic switch, molded-case circuit breakers, electronic relays |
| Automation & Intelligent Manufacturing Center | Integration of producing resources in the company, and promote biotechnology projects improving layout of production efficiency and AIM strategy. |
| Teco Group Research Institute | Research and development catering to requirements of the medium-to-long term development of new products and technical support to members of the TECO group. |
| Intelligent System Division | Chip-embedded cards for financial, medical, membership loyalty, surveillance, e-invoice, and public transportation services; systems integration for ITS- and RFID-based cards; non-person vending machine. |

3.2 Directors and Management Team

3.2.1 Directors

| Title | Nationality/ Companies Registry | Name | Date Elected | Term (Years) | Date First Elected (Note) | Shareholding when Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | March 31, 2020 Executives, Directors or Supervisors who are spouses or within two degrees of kinship | | |
|---------------------------------------|---------------------------------------|--|-----------------|-----------------|---------------------------------|------------------------------|-------|-------------------------|-------|--------------------------------|-------|---|---|---|---|--|-------------------------|-----------------|
| | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation |
| Chairman | ROC | Tung Kuang Investment Co., Ltd. | 2018.6.15 | 3 | 2000.4.21 | 30,341,364 | 1.52% | 30,341,364 | 1.63% | 0 | 0 | 0 | 0 | MBA, University of Michigan, Ann Arbor | Chairman of Taiwan Pelican Express Co., Ltd & Motovario S.p.A ... | - | - | - |
| | ROC | Representative: Chwen-Iy, Chiu | 2018.6.15 | 3 | 2006.6.15 | 1,741,964 | 0.09% | 2,041,964 | 0.11% | 16,987 | 0.00% | 0 | 0 | | | | | |
| Managing Director | ROC | Tong Ho Global Investment Co., Ltd | 2018.6.15 | 3 | 2000.4.21 | 2,240,262 | 0.11% | 2,240,262 | 0.11% | 0 | 0 | 0 | 0 | Ph.D of Electric & Engineering, University of Illinois | Chairman of Tecom Co., Ltd. & Shanghai TECO Electric & Machinery Co.,Ltd | - | - | - |
| | | Representative: Chao-Kai, Liu | 2018.6.15 | 3 | 2000.4.21 | 300,000 | 0.02% | 300,000 | 0.01% | 122,018 | 0.01% | 0 | 0 | | | | | |
| Managing Director | ROC | Cheng-Tsung, Huang | 2018.6.15 | 3 | 1991.5.8 | 15,279,849 | 0.76% | 15,279,849 | 0.78% | 2,110,934 | 0.11% | 0 | 0 | Bachelor of Economics, Fu Jen Catholic University | Chairman of Sen Yeh Construction Co., Ltd. Independent Director of Aurotek Corporation | - | - | - |
| | ROC | Creative Sensor Inc. | 2018.6.15 | 3 | 2009.6.19 | 10,000,000 | 0.54% | 10,000,000 | 0.51% | 0 | 0 | 0 | 0 | Master of Electric & Engineering, Columbia University | Chairman of Creative Sensor Inc. & TECO Image Systems Co., Ltd. | Director | Mao- Hsiung Huang | Father & Son |
| Managing & Independent Director | Japan | Representative: Yu-Ren, Huang | 2018.6.15 | 3 | 2012.6.15 | 234,623 | 0.01% | 234,623 | 0.01% | 0 | 0 | 0 | 0 | Ph.D of Business Administration, Northwestern University | Independent Director of Fusheng Precision Co., Ltd. | - | - | - |
| | ROC | Wei-Chi, Liu | 2018.6.15 | 2 | 2018.6.15 | 0 | 0 | 0 | 0 | 0 | 0% | 0 | 0 | | | | | |
| Independent Director | ROC | Jin-Fu, Chang | 2018.6.15 | 3 | 2018.6.15 | 0 | 0 | 0 | 0 | 0 | 0. | 0 | 0 | Ph.D of Electric & Engineering and computer science, University of California, Berkeley | Independent Director of Taiwan Secom Co., Ltd. | - | - | - |
| | | | | | | | | | | | | | | Ph.D & Master of Accountancy, University of Missouri | Independent Director of SuperAlloy Industrial Co., Ltd. | - | - | - |
| Independent Director | ROC | Ting-Wong, Cheng | 2018.6.15 | 2 | 2016.6.16 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | |

| Title | Nationality/ Companies Registry | Name | Date Elected | Term (Years) | Date First Elected (Note) | Shareholding when Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Executives, Directors or Supervisors who are spouses or within two degrees of kinship | | |
|----------|---------------------------------------|---|-----------------|-----------------|---------------------------------|------------------------------|-------|-------------------------|-------|--------------------------------|-------|---|-------|---|--|--|------------------|-----------------|
| | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation |
| Director | ROC | Mao-Hsiung, Huang | 2018.6.15 | 3 | 1972.5.12 | 18,486,633 | 0.92% | 18,486,633 | 0.94% | 5,839,071 | 0.30% | 0 | 0 | Master of Economics, University of Pennsylvania | Chairman of Century Development Corporation & Tong-An Investment... | Managing Director | Yu-Ren, Huang | Father & Son |
| Director | ROC | Ying-Int. Inv. Co., Ltd | 2018.6.15 | 3 | 2018.6.15 | 10,079,600 | 0.50% | 14,454,698 | 0.73% | 0 | 0 | 0 | 0 | Master of Mechanical Engineering, University of Tokyo | Director of Tecom Co., Ltd., Chairman of Ying-Int. Inv. Co., Ltd | - | - | - |
| | ROC | Representative: Po-Chih, Huang | 2018.6.15 | 3 | 1988.3.28 | 11,614,831 | 0.58% | 7,344,746 | 0.37% | 150,975 | 0.01% | 14,454,698 | 0.73% | | | | | |
| Director | ROC | Hung Shun Investment Co., Ltd | 2018.6.15 | 3 | 2018.6.15 | 304,000 | 0.02% | 1,104,000 | 0.06% | 0 | 0 | 0 | 0 | Bachelor of Business Administration, University of Southern California | Chairman of South Taiwan Bus & PT Group | - | - | - |
| | ROC | Representative: Tzu-Yi, Kuo | 2018.6.15 | 3 | 2018.6.15 | 724,559 | 0.04% | 724,559 | 0.04% | 0 | 0 | 0 | 0 | | | | | |
| Director | ROC | Tong-An Investment Co., Ltd. | 2018.6.15 | 3 | 2018.6.15 | 19,540,052 | 0.98% | 19,540,052 | 0.99% | 0 | 0 | 0 | 0 | Master of Business Administration, National Taiwan University of Science and Technology | Chairman of Information Technology Total Service Corp & TECO Smart Technologies Co., Ltd. | - | - | - |
| | ROC | Representative: Shang-Wei, Kao | 2018.6.15 | 3 | 2018.6.15 | 15,000 | 0.00% | 15,000 | 0.00% | 0 | 0 | 0 | 0 | | | | | |
| Director | ROC | Kuang Yuan Industrial Co., Ltd. | 2018.6.15 | 3 | 2009.6.19 | 22,033,919 | 1.10% | 26,833,919 | 1.38% | 0 | 0 | 0 | 0 | Ph.D. of Electric & Engineering, Northwestern University, US | Chairman of Global Strategic Venture & Universal Development & Investment Capital I Co., Ltd | - | - | - |
| | ROC | Representative: Shih-Chien, Yang | 2018.6.15 | 3 | 2009.6.19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | |
| Director | ROC | Tung Kuang Investment Co., Ltd. | 2018.6.15 | 3 | 2000.4.21 | 30,341,364 | 1.52% | 32,141,364 | 1.63% | 0 | 0 | 0 | 0 | Master of Mechanical Engineering, University of Houston | Chairman of TECO (Vietnam) Electric & Machinery Co., Ltd. & Wuxi TECO Precision Mechatronics Co., Ltd... | - | - | - |
| | ROC | Representative : Hong-Hsiang, Lin | 2018.6.15 | 3 | 2012.6.15 | 2,161,893 | 0.11% | 2,116,893 | 0.11% | 800,000 | 0.04% | 0 | 0 | | | | | |

| Title | Nationality/ Companies Registry | Name | Date Elected | Term (Years) | Date First Elected (Note) | Shareholding when Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Executives, Directors or Supervisors who are spouses or within two degrees of kinship | | |
|----------|---------------------------------------|----------------------------------|-----------------|-----------------|---------------------------------|------------------------------|-------|-------------------------|-------|--------------------------------|---|---|---|---|---|--|------|----------|
| | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation |
| Director | ROC | Yubantec & Co., Ltd. | 2018.6.15 | 3 | 2018.6.15 | 13,200,000 | 0.66% | 19,800,000 | 1.01% | 0 | 0 | 0 | 0 | Advance Course for Business Manager, Division of Financial Management, National Chengchi University | Chairman of Inotec Taiwan Co., Ltd & Yubantec & Co., Ltd. | - | - | - |
| | ROC | Representative: Tung-Hai, Kao | 2018.6.15 | 3 | 2018.6.15 | 1,463 | 0.00% | 1,463 | 0.00% | 0 | 0 | 0 | 0 | | | - | - | - |
| Director | ROC | Yung-Hsiang, Chang | 2018.6.15 | 3 | 2006.9.6 | 0 | 0.00% | 600,000 | 0.03% | 0 | 0 | 0 | 0 | Bachelor of Industrial Engineering and Management, Minghsin University of Science and Technology | None | - | - | - |

Data for Directors

| Name | Criteria | Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience | | | Independence Criteria(Note) | | | | | | | | | | | | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|--|----------|--|---|--|-----------------------------|---|---|---|---|---|---|---|---|----|----|----|---|
| | | An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University | A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company | Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Tung Kuang Investment Co., Ltd. Representative : Chwen-Jy, Chiu | | | | V | | | V | V | V | | | | | V | V | | 0 |
| Tong Ho Gloabl Investment Co., Ltd Representative : Chao-Kai, Liu | | | | V | V | | V | V | V | | | | | V | V | | 0 |
| Cheng-Tsung, Huang | | | | V | | | | | V | | | | | V | V | V | 1 |
| Creative Sensor Inc. Representative: Yu-Ren, Huang | | | | V | | | | | V | | | | | V | | | 0 |
| Wei-Chi, Liu | V | | | V | V | | V | V | V | V | V | V | V | V | V | V | 1 |
| Jin-Fu, Chang | V | | | V | | | | | V | | | | | V | V | V | 1 |
| Ting-Wong, Cheng | V | | | V | | | | | V | | | | | V | V | V | 1 |
| Mao-Hsiung, Huang | V | | | V | | | | | V | | | | | V | V | V | 0 |
| Ying Int. Inv. Co.,Ltd Representative : Po-Chih, Huang | | | | V | V | | | | V | | | | | V | V | V | 0 |
| Hung Shun Investment Co., Ltd Representative: Tzu-Yi, Kuo | | | | V | V | | | | V | V | V | V | V | V | V | V | 0 |
| Tong-An Investment Co., Ltd. Representative : Shang-Wei, Kao | | | | V | V | | | | V | V | V | V | V | V | V | V | 0 |
| Kuang Yuan Industrial Co., Ltd. Representative: Shih- Chien, Yang | | | | V | V | | | | V | V | V | V | V | V | V | V | 4 |
| Tung Kuang Investment Co., Ltd. Representative: Hong-Hsiang, Lin | | | | V | V | | | | V | V | V | V | V | V | V | V | 0 |
| Yubantec & Co., Ltd. Representative: Tung-Hai, Kao | | V | | V | V | | | | V | V | V | V | V | V | V | V | 0 |
| Yung-Hsiang, Chang | | | | V | V | | | | V | V | V | V | V | V | V | V | 0 |

Note: Please tick the corresponding boxes if directors have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds in accordance with domestic or local regulations.)
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not the managers as item 1 or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of the person as item 2 & 3.
5. Directors, supervisors, or legal shareholders who are not directly holding more than 5% of the company's total issued shares, holding the top five shares, or appointing representatives as company directors or supervisors in accordance with Article 27, paragraph 1 or 2 of the Company Law Employee (but if the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, it is not limited to this)
6. More than half of the shares that are not on the board of directors of the company or have voting rights are the directors, supervisors or employees of other companies controlled by the same person (but if it is the company or its parent company, subsidiary or subsidiary of the same parent company (The independent directors established by the laws or local laws and regulations of the country serve concurrently with each other, this is not the case)
7. Directors (directors), supervisors (supervisors) or servants of other companies or organizations who are not the same person or spouse with each other and are the same person or spouse (Or independent directors set up by subsidiaries of the same parent company in accordance with this law or local national laws and regulations serve concurrently, not subject to this limit)
8. Directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of a specific company or organization that does not have financial or business dealings with the company (but if a specific company or organization holds 20% of the company's total issued shares Above, not more than 50%, and the independent directors established by the company and its parent company, subsidiary company or subsidiary of the same parent company in accordance with this law or local national laws and regulations concurrently serve each other, not limited to this)
9. Professionals, sole proprietorships, partnerships, business owners of companies or institutions that do not provide audits for companies or related companies or business, legal, financial, accounting and other related services that have not received more than NTS 500,000 in cumulative compensation in the past two years Partners, directors (directors), supervisors (supervisors), managers and their spouses. However, members of the Compensation Committee, Public Takeovers Review Committee, or M&A Special Committee performing their functions and powers in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M&A Act are not limited to this.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

March 31, 2020

| Title | Nationality | Name | Date Effective | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | |
|------------------------------|-------------|--------------------|----------------|--------------|-------|-----------------------------|-------|-------------------------------------|---|--|---|---|------|----------|
| | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation |
| Acting President | ROC | Chao-Chih, Lien | 2001.8.1 | 829,273 | 0.04% | 0 | 0.00% | 0 | - | Master of Civil Engineering, Stevens Institute of Technology | Chairman of Teco Electric & Machinery Pte Ltd | - | - | - |
| Executive Consultant | ROC | Hong-Hsian g, Lin | 1998.8.21 | 2,137,813 | 0.11% | 800,000 | 0.04% | 0 | - | Master Mechanical Engineering, University of Houston | Chairman of Wuxi TECO Precision Mechatronics Co., Ltd | - | - | - |
| Assistant Vice President | ROC | Sheng-chyuan, Lin | 2017.1.1 | 1,224,889 | 0.06% | 40,434 | 0.00% | 0 | - | Bachelor of Electric & Engineering, National Taiwan University | Chairman of Teco Electro Devices Co., Ltd. | - | - | - |
| Assistant Vice President | ROC | Sung-Pin, Chang | 2015.8.12 | 61,519 | 0.00% | 0 | 0.00% | 0 | - | Bachelor of Chemical Engineering, National Tsing Hua University | Chairman of Teco Technology (Vietnam) Co., Ltd | - | - | - |
| Assistant Vice President | ROC | Chi-Tseng, Peng | 2017.1.1 | 0 | 0.00% | 0 | 0.00% | 0 | - | Master of Telecom Engineering, University of Pittsburgh | Director of A-Ok Technical Co., Ltd. | - | - | - |
| Assistant Vice President | ROC | Fei-Yuan, Kao | 2017.1.1 | 73,001 | 0.00% | 305 | 0.00% | 0 | - | Master of Mechanical Engineering, National Central University | Chairman of Wuxi Teco Co., Ltd | - | - | - |
| Assistant Vice President | ROC | Kevin Yeh | 2017.1.1 | 46,143 | 0.00% | 0 | 0.00% | 0 | - | Bachelor of Business Administration, Boston University | Chairman of Teco Sun Energy | - | - | - |
| Assistant Vice President | ROC | Kuo-Min, Chen | 2018.11.13 | 0 | 0.00% | 0 | 0.00% | 0 | - | PH.D. of Industrial engineering and management information from Tunghai University | - | - | - | - |
| Assistant Vice President | ROC | Hank Horng | 2019.1.1 | 13,316 | 0.00% | 0 | 0.00% | 0 | - | EMBA of National Taiwan University; Master of Mechanical Engineering, National Cheng Kung University | Chairman of Taisan Electric Co., Ltd | - | - | - |
| Corporate Governance Officer | ROC | Shih-Hsiung, Chien | 2019.6.1 | 36,932 | 0.00% | 0 | 0.00% | 0 | - | Master of Business Administration, National Chung Cheng University | - | - | - | - |

3.2.3 Remuneration of Directors, President and Vice President

Remuneration of Directors (Including Independent Directors)

December 31, 2019 / Unit: NT\$ thousands

| Code | Title | Name | Remuneration | | | | | | Relevant remuneration received by directors who are also employees | | | | | | Ratio of total compensation (A+B+C+D+E+F+G) to net income(%) | Compensation paid to directors from an invested company other than the company's subsidiary | | | | | | | | | |
|------|---------------------------------|---|----------------------|--|------------------|--|-------------------------|--|--|--|--|--|-------------------------------------|--|--|---|-------------------|--|------------------------------------|--|---------------|----------------|----------|-------|-------|
| | | | Base Compensation(A) | | Severance Pay(B) | | Bonuses to Directors(C) | | Allowances(D) | | Ratio of total remuneration (A+B+C+D) to net income(%) | | Salary, Bonuses, and Allowances (E) | | | | Severance Pay (F) | | Profit Sharing- Employee Bonus (G) | | | | | | |
| | | | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | | | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | Cash Dividend | Stock Dividend | Dividend | | |
| 1 | Chairman | Tung Kuang Investment Co., Ltd. Representative : Chwen-Jy, Chiu | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | Managing Director | Tong Ho Gloabl Investment Co., Ltd Representative : Chao-Kai, Liu | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | Managing Director | Cheng-Tsung, Huang | | | | | | | | | | | | | | | | | | | | | | | |
| 4 | Managing Director | Creative Sensor Inc. Representative: Yu-Ren, Huang | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | Managing & Independent Director | Wei-Chi, Liu | - | | | | | Total: 114,752 | Total: 816 | Total: 1,463 | 3.59% | Total: 9,053 | Total: 108 | Total: 108 | - | - | - | - | - | - | - | - | - | 3.93% | 1,803 |
| 6 | Independe nt Director | Jin-Fu, Chang | | | | | | | | | | | | | | | | | | | | | | | |
| 7 | Independent Director | Ting-Wong, Cheng | | | | | | | | | | | | | | | | | | | | | | | |
| 8 | Director | Mao-Hsiung, Huang | | | | | | | | | | | | | | | | | | | | | | | |
| 9 | Director | Yinge Int. Inv. Co.,Ltd Representative : Po-Chih, Huang | | | | | | | | | | | | | | | | | | | | | | | |
| 10 | Director | Hung Shun Investment Co., Ltd Representative: Tzu-Yi, Kuo | | | | | | | | | | | | | | | | | | | | | | | |

| Code | Title | Name | Remuneration | | | | | | Relevant remuneration received by directors who are also employees | | | | | | Compensation paid to directors from an invested company other than the company's subsidiary | | | | | | |
|------|----------|---|----------------------|--|------------------|--|----------------------|--|--|--|--|--|-------------------------------------|--|---|-------------------|----------------|------------------------------------|----------------|--|--|
| | | | Base Compensation(A) | | Severance Pay(B) | | Bonus to Director(C) | | Allowances(D) | | Ratio of total remuneration (A+B+C+D) to total income(%) | | Salary, Bonuses, and Allowances (E) | | | Severance Pay (F) | | Profit Sharing- Employee Bonus (G) | | Ratio of total compensation (A+B+C+D+E+G) to total income(%) | |
| | | | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | | Cash Dividend | Stock Dividend | Cash Dividend | Stock Dividend | The company | Companies in the consolidated financial statements |
| 11 | Director | Tong-An Investment Co., Ltd. Representative : Shang-Wei, Kao | | | | | | | | | | | | | | | | | | | |
| 12 | Director | Kuang Yuan Industrial Co., Ltd. Representative: Shih- Chien, Yang | | | | | | | | | | | | | | | | | | | |
| 13 | Director | Tong Kuang Investment Co,Ltd Representative: Hong-Hsiang, Lin | | | | | | | | | | | | | | | | | | | |
| 14 | Director | Yubantec & Co., Ltd. Representative: Tung-Hai, Kao | | | | | | | | | | | | | | | | | | | |
| 15 | Director | Yung-Hsiang, Chang | | | | | | | | | | | | | | | | | | | |

Note 1: As there was no retirement in 2019, fund in the column is either provision or appropriation for retirement payment and is treated as expenses.

| Bracket | Name of Directors(Note 1) | | | |
|--|---------------------------|--|--------------------------|--|
| | Total of (A+B+C+D) | | Total of (A+B+C+D+E+F+G) | |
| | The company | Companies in the consolidated financial statements (I) | The company | Companies in the consolidated financial statements (J) |
| Under NT\$ 1,000,000 | | | | |
| NT\$1,000,000 ~ Under NT\$2,000,000 | 5,6,7 | 5,6,7 | 5,6,7 | 5,6,7 |
| NT\$2,000,000 ~ Under NT\$3,500,000 | | | | |
| NT\$3,500,000 ~ Under NT\$5,000,000 | | | | |
| NT\$5,000,000 ~ Under NT\$10,000,000 | 8,9,10,11,12,13,14,15 | 8,9,10,11,12,13,14,15 | 9,10,11,12,13,14,15 | 9,10,11,12,13,14,15 |
| NT\$10,000,000 ~ Under NT\$15,000,000 | 1,2,3,4 | 1,2,3,4 | 1,2,3,4 | 1,2,3,4 |
| NT\$15,000,000 ~ Under NT\$30,000,000 | | | 8 | 8 |
| NT\$30,000,000 ~ Under NT\$50,000,000 | | | | |
| NT\$50,000,000 ~ Under NT\$100,000,000 | | | | |
| Over NT\$100,000,000 | | | | |
| Number of Directors | 15 | 15 | 15 | 15 |

Note 1: Shown by code of Directors in the previous table

Compensation of President and Vice President

December 31, 2019 / Unit: NT\$ thousands

| Code | Title | Name | Salary (A) | | Severance Pay (B) | | Bonuses and Allowances (C) | | Profit Sharing- Employee Bonus (D) | | | | Ratio of total compensation (A+B+C+D) to net income(%) | Ratio of total compensation (A+B+C+D) to net income(%) | Compensation paid to the president and vice president from an invested company other than the company's subsidiary |
|------|------------------------------|--------------------|-----------------|--|-------------------|--|----------------------------|--|------------------------------------|-----------------|-------|-------|--|--|--|
| | | | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Cash | Stock | Stock | | | |
| 1 | Chairman | Chwen-Jy, Chiu | | | | | | | | | | | | | |
| 2 | Acting President | Chao-Chih, Lien | | | | | | | | | | | | | |
| 3 | Executive Consultant | Hong-Hsiang, Lin | | | | | | | | | | | | | |
| 4 | Assistant Vice President | Sheng-chyuan, Lin | | | | | | | | | | | | | |
| 5 | Assistant Vice President | Sung-Pin, Chang | | | | | | | | | | | | | |
| 6 | Assistant Vice President | Hank, Horng | | | | | | | | | | | | | |
| 7 | Assistant Vice President | Chi-Tseng, Peng | | | | | | | | | | | | | |
| 8 | Assistant Vice President | Fei-Yuan, Kao | | | | | | | | | | | | | |
| 9 | Assistant Vice President | Kevin Yeh | | | | | | | | | | | | | |
| 10 | Assistant Vice President | Kuo-Min, Chen | | | | | | | | | | | | | |
| 11 | Corporate Governance Officer | Shih-Hsiung, Chien | | | | | | | | | | | | | |
| | | | Total 29,213 | Total 29,213 | Total 1,602 | Total 1,602 | Total 27,844 | Total 31,835 | Total 24,472 | Total 24,472 | - | - | 2.58% | 2.70% | 1,357 |

| Bracket | Name of President and Vice President (Note 1) | |
|--|---|--|
| | The company | Companies in the consolidated financial statements |
| Under NT\$ 1,000,000 | | |
| NT\$1,000,000 ~ under NT\$2,000,000 | 11 | 11 |
| NT\$2,000,000 ~ under NT\$3,500,000 | | |
| NT\$3,500,000 ~ under NT\$5,000,000 | 6, 10 | 6, 10 |
| NT\$5,000,000 ~ under NT\$10,000,000 | 3, 4, 5, 7, 8, 9 | 3, 4, 5, 7, 8, 9 |
| NT\$10,000,000 ~ under NT\$15,000,000 | 2 | 2 |
| NT\$15,000,000 ~ under NT\$30,000,000 | 1 | 1 |
| NT\$30,000,000 ~ under NT\$50,000,000 | | |
| NT\$50,000,000 ~ under NT\$100,000,000 | | |
| Over NT\$100,000,000 | | |
| Number of Executives | 11 | 11 |

Note : Shown by code of Executives in the previous table

Employee Bonus to Executive Officers

2019.12.31/ Unit: NT\$ thousand

| | Title | Name | Employee Bonus - in Stock (Fair Market Value) | Employee Bonus - in Cash | Total | Ratio of Total Amount to Net Income (%) |
|-----------------------|------------------------------------|-----------------------|---|--------------------------------|-----------------|---|
| Executive Officers | Chairman | Chwen-Jy, Chiu | - | Total 24,472 | Total 24,472 | 0.76% |
| | Acting President | Chao-Chih, Lien | | | | |
| | Executive Consultant | Hong-Hsiang, Lin | | | | |
| | Assistant Vice President | Sheng-chyuan, Lin | | | | |
| | Assistant Vice President | Sung-Pin, Chang | | | | |
| | Assistant Vice President | Chi-Tseng, Peng | | | | |
| | Assistant Vice President | Fei-Yuan, Kao | | | | |
| | Assistant Vice President | Kevin, Yeh | | | | |
| | Assistant Vice President | Hank, Horng | | | | |
| | Assistant Vice President | Kuo-Min, Chen | | | | |
| | Corporate Governance Officer | Shih-Hsiung, Chien | | | | |

3.2.4 Comparison of Remuneration for Directors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

Unit: NT\$ thousand

| Year | Total remuneration paid to directors, presidents and vice presidents | Ratio of total remuneration paid to directors, presidents and vice presidents to net income (%) |
|------|---|---|
| 2019 | 213,608 | 6.63% |
| 2018 | 195,254 | 6.20% |

The company's compensations are set according to levels offered by peers for the same positions, responsibilities of the positions, and their contribution to the company in achieving its business goal. The determination of compensations is based on the company's guidelines for performance and compensations, which take into account the company's overall business performance, achievement of an employee's personal performance goal, and his/her contribution to the corporate performance, in order to reach reasonable levels of compensation. Year-end bonus is paid out according to a fixed share of net profits, which can only be changed by a resolution of the board of directors.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 6 meetings of the board of directors were held in 2019, director attendance was as follows:

| Title | Name | Attendance in Person | By Proxy | Attendance rate (%) | Remarks |
|---------------------------------|--|----------------------|----------|---------------------|---------|
| Chairman | Tung Kuang Investment Co., Ltd. Representative : Chwen-Jy, Chiu | 6 | 0 | 100 % | |
| Managing Director | Tong Ho Gloabl Investment Co., Ltd Representative : Chao-Kai, Liu | 6 | 0 | 100% | |
| Managing Director | Cheng-Tsung, Huang | 6 | 0 | 100% | |
| Managing Director | Creative Sensor Inc. Representative: Yu-Ren, Huang | 6 | 0 | 100% | |
| Managing & Independent Director | Wei-Chi, Liu | 6 | 0 | 100% | |
| Independent Director | Jin-Fu, Chang | 6 | 0 | 100% | |
| Independent Director | Ting-Wong, Cheng | 6 | 0 | 100% | |
| Director | Mao-Hsiung, Huang | 5 | 1 | 83% | |
| Director | Yinge Int. Inv. Co.,Ltd Representative : Po-Chih, Huang | 6 | 0 | 100% | |
| Director | Hung Shun Investment Co., Ltd Representative: Tzu-Yi, Kuo | 6 | 0 | 100% | |
| Director | Tong-An Investment Co., Ltd. Representative : Shang-Wei, Kao | 6 | 0 | 100% | |
| Director | Kuang Yuan Industrial Co., Ltd. Representative: Shih- Chien, Yang | 4 | 2 | 67% | |
| Director | Tong Kuang Investment Co.,Ltd Representitive: Hong-Hsiang, Lin | 6 | 0 | 100% | |
| Director | Yubantec & Co., Ltd. Representative: Tung-Hai, Kao | 6 | 0 | 100% | |
| Director | Yung-Hsiang, Chang | 5 | 1 | 83% | |

Other mentionable items:

1. If there is the following situation referred to the operation of Board of Director, the date of Board meeting, period, contents of the case, opinion of all Independent Director, and company's respond toward Independent Director should be narrated.

- (1) Article 14-3 of Securities and Exchange Act: Please refer to the page about Audit Committee. All proposals were resolved by all independent directors.
- (2) The resolution about the objection or reservations of Independent Director which was record or written proclamation: None

2. The implementation of Directors' avoidance of motions in conflict of interest:

- i. 25-6 Board Meeting: 2019.3.26

Director's Name: Yu-Ren Huang (Managing Director), Po-Chih Huang (Director)

Contents of the case: Donation to "TECO Technology Foundation" for various events in 2019.

Reason for avoidance of conflict of interest and the status of voting: Since the aforementioned managing director and directors also serves as director, they left the meeting and abstained from taking part in the voting. Other directors passed the case without objection.

Director's name: Chwen-Jy, Chiu (Chairman), Chao-Kai, Liu (Managing Director), Yu-Ren Huang (Managing Director), Mao-Hsiung, Huang (Director), Shang-Wei, Kao (Director), Hong-Hsiang, Lin (Director)

Contents of the case: Plan to supply affiliates and overseas subsidiaries with endorsement guarantee

Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy Chiu is the director of An-Tai International Investment Co., Ltd., GD TECO Taiwan Co., Ltd., TECO International Investment Co., Ltd., president of Sankyo Co, Ltd., chairman of Motovario S.p.A., abstained from the discussion and voting for the case based upon interest conflict, and presided over by managing & independent director, Wei-Chi, Liu. Chao-Kai, Liu is the director of TECO International Investment Co., Ltd., Motovario S.p.A, abstained from the discussion and voting for the case based upon interest conflict. Yu-Ren, Huang is director of Sankyo Co, Ltd., Mao-Hsiung, Huang is chairman of An-Tai International Investment Co., Ltd., TECO International Investment Co., Ltd., chairman of Sankyo Co, Ltd.,

Hong-Hsiang, Lin is director of TECO Middle East, Motovario S.p.A, Shang-Wei, Kao is chairman of GD TECO Taiwan Co., Ltd. abstained from the discussion and voting for the case based upon interest conflict

Resolution: The case was approved by a meeting of the board of directors, presided over by managing & independent director, Wei-Chi, Liu, who consulted other attending directors, none whom objected the case.

Director's name: Chwen-Jy, Chiu (Chairman), Chao-Kai, Liu (Managing Director), Cheng-Tsung, Huang (Managing Director), Mao-Hsiung, Huang (Director)

Contents of the case: Provision of loans among the company and affiliates

Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy Chiu is the director of TECO Westinghouse Motor Company, chairman of Asia Innovative Technology (Xiamen) Co., Ltd., director of UVG Investment Co. Ltd., director of Tong-An Assets Management & Development Co., Ltd., abstained from the discussion and voting for the case based upon interest conflict, and presided over by managing & independent director, Wei-Chi, Liu. Chao-Kai, Liu is the director of TECO Westinghouse Motor Company, director of Asia Innovative Technology (Xiamen) Co., Ltd., director of UVG Investment Co. Ltd., Cheng-Tsung, Huang is the director of Tong-An Assets Management & Development Co., Ltd, Mao-Hsiung, Huang is the director of TECO Westinghouse Motor Company, director of Asia Innovative Technology (Xiamen) Co., Ltd., chairman of Tong-An Assets Management & Development Co., Ltd., abstained from the discussion and voting for the case based upon interest conflict.

Resolution: The case was approved by a meeting of the board of directors, presided over by managing & independent director, Wei-Chi, Liu, who consulted other attending directors, none whom objected the case.

ii. 25-7 Board Meeting: 2019.5.13

Director's Name: Chwen-Jy, Chiu (Chairman), Chao-Kai, Liu (Managing Director)

Contents of the case: Tong An Investment and Tong-An Assets Management & Development Co., Ltd plan to provide CDC Development India Private Limited with guarantee for long term borrowings.

Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy, Chiu is the director of Century Development Co., Ltd., Tong An Investment and Tong-An Assets Management & Development Co., Ltd., abstained from the discussion and voting for the case based upon interest conflict, and presided over by managing & independent director, Wei-Chi, Liu. Chao-Kai, Liu is the director of Tong An Investment, abstained from the discussion and voting for the case based upon interest conflict.

Resolution: The case was approved by a meeting of the board of directors, presided over by managing & independent director, Wei-Chi, Liu, who consulted other attending directors, none whom objected the case.

iii. 25-10 Board Meeting: 2019.11.12

Director's Name: Chwen-Jy, Chiu (Chairman), Chao-Kai, Liu (Managing Director)

Contents of the case: Discussion on waiving interest payment of UVG's fund lent to TNL.

Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy, Chiu is the director of UVG, abstained from the discussion and voting for the case based upon interest conflict, and presided over by managing & independent director, Wei-Chi, Liu. Chao-Kai, Liu is the director of UVG, abstained from the discussion and voting for the case based upon interest conflict.

Resolution: The case was approved by a meeting of the board of directors, presided over by managing & independent director, Wei-Chi, Liu, who consulted other attending directors, none whom objected the case, with a condition that the case will be resubmitted to the board meeting if the shareholding structure changes in UVG or TNL.

iv. 25-11 Board Meeting: 2019.12.24

Director's name: Chwen-Jy, Chiu (Chairman), Yu-Ren Huang (Managing Director), Mao-Hsiung, Huang (Director), Shang-Wei, Kao (Director)

Contents of the case: Century Development Co., Ltd. lend to its subsidiary, Century Tech. C&M Corporation

Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy Chiu is the director of Century Development Co., Ltd, abstained from the discussion and voting for the case based upon interest conflict, and presided over by managing & independent director, Wei-Chi, Liu. Mao-Hsiung, Huang is chairman of Century Development Co., Ltd, Shang-Wei, Kao is the director of Century Development Co., Ltd. abstained from the discussion and voting for the case based upon interest conflict. Yu-Ren, Huang is the relative within the first degree of kinship of the chairman of Century Development Co., Ltd., abstained from the discussion and voting for the case based upon interest conflict.

Resolution: The case was approved by a meeting of the board of directors, presided over by managing & independent director, Wei-Chi, Liu, who consulted other attending directors, none whom objected the case.

Director's Name: Chwen-Jy, Chiu (Chairman), Cheng-Tsung, Huang (Managing Director), Yu-Ren Huang (Managing Director), Mao-Hsiung, Huang (Director)

Contents of the case: Tong An Asset Management plans to participate in capital increase by cash in Century Biotech Development Corporation.

Reason for avoidance of conflict of interest and the status of voting: Chwen-Jy, Chiu is the director of Tong-An Assets

Management & Development Co., Ltd and abstained from the discussion and voting for the case based upon interest conflict and presided over by managing & independent director, Wei-Chih, Liu. Cheng-Tsung, Huang is the director of Tong-An Assets Management & Development Co., Ltd., Mao-Hsiung, Huang is chairman of Tong-An Assets Management & Development Co., Ltd, abstained from the discussion and voting for the case based upon interest conflict. Yu-Ren, Huang is the relative within the first degree of kinship of the chairman of Tong-An Assets Management & Development Co., Ltd., abstained from the discussion and voting for the case based upon interest conflict.

Resolution: The case was approved by a meeting of the board of directors, presided over by managing & independent director, Wei-Chi, Liu, who consulted other attending directors, none whom objected the case.

3. Evaluation of Board of Directors

| Frequency | Period | Scope | Method | Content |
|---|---------------------|--|--|--|
| Once per Year | 2019.1.1~2019.12.31 | Performance Evaluation of Board | Internal self-evaluation of the board of directors "Board Assessment Self-evaluation Questionnaire" | The measurement items of the "Board Assessment Self-Assessment Questionnaire" include a total of 48 evaluation indicators includes five dimensions: participation in the company's operations, improving the quality of the board's decision-making, board composition and structure, director selection and continuous training, and internal control. |
| Once per Year | 2018.1.1~2018.12.31 | Performance Evaluation of Board | Internal self-evaluation of the board of directors "Board Assessment Self-evaluation Questionnaire" | |
| By external professional & Independent Institute every three year | 2017.1.1~2017.12.31 | Performance Evaluation of Board, Audit Committee & Compensation Committee and delivery of analysis reort | Invite Taiwan Institute of Ethical Business and Forensics (TIEBF) to execute through "Data Review", "Questionnaire", and "Interview" | <p>The items for Board of Directors Performance Evaluation includes: Decision-Making Effectiveness (for participation in company operation, improving the quality of the board's decision-making, etc.); Professional Functions (for the composition and structure of the board of directors, selection of directors and continuous training); compliance with regulations (for internal control); community participation (for community participation).</p> <p>The items for Audit Committee's Effectiveness Evaluation includes: Decision-Making Effectiveness (understanding company's financial and internal control regulations, communication and interaction with external audits, and responses to internal and external opinions, etc.); Professional Functions (composition of committee members, training situations of committee members, and understanding of their supervisory role, etc.).</p> <p>The items for the Salary and Compensation Committee's Effectiveness Evaluation includes: The committee's understanding of the company's business objectives; its focus on the performance of directors and managers; the committee reviews the remuneration transparently and objectively based on the performance of the directors and managers; feedbacks on the performance of the directors and managers; whether the shareholders</p> |

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|---|--|--|--|--|
| | | | | have appropriate channels to express opinions on remuneration. |
| <p>4. Target of strengthening the function of the Board and evaluation of current year and recent years</p> <p>i. Strengthen the authorities of the functional committee</p> <p>The Board of Directors of the Company has established two functional committees, namely the Audit Committee (established in 2012) and the Compensation Committee (established in 2011), to assist the Board of Directors in performing its supervisory duties. The audit committee is composed of all independent directors (3), and the compensation committee is composed of independent directors appointed by the board (3 in total). In order to improve the participation of directors in the company's operation and strengthen the level of corporate governance, the company added a "Corporate Governance and Sustainability Committee" in 2018 (comprised by at least three directors, more than half of the Independent directors participate, and members independently select an independent director to serve as the convener and chairman of the meeting). The duty is to review the soundness of organizations and systems at corporate governance, to nominate candidates of directors and independent directors, to supervise the implementation of corporate social responsibility and sustainable operation matters, and to strengthen the organization and management of the board of directors ... etc. The constitution of each committee is approved by the board of directors, and its activities and resolutions are regularly reported to the board of directors.</p> <p>ii. Enhance the effectiveness of the Board</p> <p>In order to establish good corporate governance of the company, assist directors to perform their duties and enhance the effectiveness of the board of directors, the company passed the appointment of Shih-Hsiung, Chien, Deputy Director of the "Corporate Governance Center" as a full-time corporate governance director on the 25-7th board of directors meeting (108.5.13) in accordance with the "Directions for Compliance Requirements for the Appointment and Exercise of Powers of the Boards of Directors of Listed Companies". In addition, the company's "standard operating procedures for handling directors' requirements" is formulated. Corporate governance director (of Corporate Governance Center) is responsible for handling directors' requirements, and in accordance with the principle of Immediate and Effective Assistance to Directors in performing their duties to process as soon as possible within three working days.</p> | | | | |

3.3.2 Audit Committee

The Company set up "Audit Committee" on June 15, 2012 to replace the original supervisor system. The committee consists of independent directors (three seats), who select one among them as the convener and chairman of its meeting, and functions according to the company's "organizational charter of audit committee," with the scope of its auditing covering the company's financial statement, the company's auditing and accounting policy and procedure, the company's internal-control system, major transactions in assets or derivatives, raising or issuance of securities, appointment and dismissal of, along with compensations for, certified public accountant(s), and appointment and dismissal of financial, accounting, and internal-auditing managers.

Key Focus in 2019:

1. Review financial reports

The company's board of directors submitted the 2018 annual financial statements (including the consolidated financial statements) which has been audited and certified by accountants Wu, Yu-Lung, Chou, Chien-Hung entrusted by the Board of Directors. Together with annual business report and surplus earning distribution motion, they are reviewed and approved by the Audit Committee (2019.3.19) and were submitted to the 6th meeting of the 25th Board of Directors (2019.3.26) for resolution.

2. Evaluate the effectiveness of the internal control system

The company judges whether the design and implementation of the internal control system for the year 2018 are effective based on the judgment items on the effectiveness of the internal control system as stipulated in the "Principles for Establishing Internal Control Systems for Public Offering Companies". The company has a total of 36 level units. The internal control self-assessment operation was completed at 2019.1.31. The design and implementation of its internal control system did not reveal any major deficiencies. The internal control self-assessment operation of the subsidiary was completed at 2019.2.27. The design and implementation of its internal control system did not reveal any major deficiencies. Determining the design and implementation of the company's internal control system should be effective. After being reviewed and approved by the 6th Audit Committee of the 3rd Session (2019.3.19), and submitted to the Resolution of the 6th Board of Directors

(2019.3.26) of the 25th Session, the "Internal Control System Statement" for 2018 was issued.

A total of 6 meetings of the Audit Committee were held in 2019, and the Audit Committee attendance was as follows:

| Title | Name | Attendance in Person | By Proxy | Attendance rate (%) | Remarks |
|---|--|----------------------|---|---|---------|
| Convener & Chairman | Ting-Wong, Cheng | 6 | 0 | 100% | |
| Member | Wei-Chi, Liu | 6 | 0 | 100 % | |
| Member | Jin-Fu, Chang | 6 | 0 | 100% | |
| Other mentionable items: | | | | | |
| 1. If there is the following situation referred to the operation of Audit Committee, the date of Audit Committee meeting, period, contents of the case, opinion of all members, and company's respond toward Audit Committee members should be narrated | | | | | |
| i. Items specified in article 14-5 of Securities and Exchange Act: Please see the following charts | | | | | |
| ii. Other items resolved by the audit committee member with support of two thirds of directors but without approval of the auditing committee.: None | | | | | |
| Board Meeting | Contents of the case and follow-up | | Article 14-5 of Securities and Exchange Act | Other items resolved by the audit committee member with support of two thirds of directors but without approval of the auditing committee | |
| 25-6 Board Meeting 2019.3.26 | Discussion on business report, parent company only financial statements and consolidated financial statements of 2018 | | v | | |
| | Discussion on Profit distribution of 2018 | | v | | |
| | Internal audit report and self assesment of internal control of 2018 | | v | | |
| | Discussion on Due Date Quota of Financial Institution in 2018 | | v | | |
| | Discussion on provision of loans among the company and affiliates | | v | | |
| | Discussion on provision of endorsement and guarantee for the affiliates and overseas subsidiaries | | v | | |
| | Adjustment of trader on derivatives and stock | | v | | |
| | Amendment to “Procedure of acquisition or disposal of assets” | | v | | |
| | The Resolution of Audit Committee (2019.3.19 & 2019.5.6): Passed by all attendee committee members | | | | |
| How the company handle opinion of Audit Committee: Passed by all attendee directors | | | | | |
| 25-7 Board Meeting 2019.5.13 | Discussion on “Record date of capital reduction” to write off 16 th treasury share buyback and related matters. | | v | | |
| | Tong An Investment and Tong-An Assets Management & Development Co., Ltd plan to provide CDC Development India Private Limited with guarantee for long term borrowings. | | v | | |
| | The Resolution of Audit Committee (2019.5.6): Passed by all committee members | | | | |
| | How the company handle opinion of Audit Committee: Passed by all attendee directors | | | | |
| 25-9 Boarding Meeting 2019.8.14 | 2018Q2 consolidated financial statements | | v | | |
| | The Resolution of Audit Committee (2019.8.7): Passed by all committee members | | | | |
| | How the company handle opinion of Audit Committee: Passed by all attendee directors | | | | |
| 25-10 Boarding Meeting 2019.11.12 | Discussion on waiving interest payment of UVG’s fund lent to TNL. | | v | | |
| | The Resolution of Audit Committee (2019.11.5): Passed by all committee members, with a condiction that the management shall explain more details about pricing under negative interest rate and urge the management to find an alternative solution as soon as they could. | | | | |
| | How the company handle opinion of Audit Committee: The case was approved by a meeting of the | | | | |

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|--|---|--|--|
| | board of directors, presided over by managing & independent director, Wei-Chi, Liu, who consulted other attending directors, none whom objected the case, with a condition that the case will be resubmitted to the borad meeting if the shareholing structure changes in UVG or TNL. | | |
| 25-11 Boarding Meeting 2019.12.24 | Internal audit plan for 2020 | v | |
| | Discussion on CPA’s independence and adequacy | v | |
| | Discussion on remuneration of CPA | v | |
| | The Resolution of Audit Committee (2019.12.17): Passed by all members | | |
| | How the company handle opinion of Audit Committee: Passed by all attendee directors | | |
| 2. The avoidance of Independent Director due to interest conflict: None | | | |
| 3. The communication between independent director, internal audit chief and CPA | | | |
| (1) Communications method of independent directors with internal auditing chief and certified public accountants: The Company has put in place direct contact channel for independent directors to communicate with internal auditing chief and certified public accounts. In line with the regulation of the regulator, the company audits its finance and business status regularly and communicates directly with management and corporate governance unit. | | | |
| i. The company's internal auditing chief delivers internal auditing report at the quarterly meeting of the audit committee, covering status of the execution of auditing operation and improvement and tracking, as well as effect, of the audited defects. In addition to delivery of written auditing report to independent directors monthly, internal auditing chief also makes specific business reports on the suggestion of any independent director. | | | |
| ii. After completing the auditing of the semiannual and annual financial statements, the company's contracted certified public account reports the result of the auditing or checking of the financial statements of the company and its subsidiaries, both domestic and overseas ones, at the auditing committee, as well as other legally required communications items. | | | |
| (2) Independent Director and internal audit chief have good communication, and independent directors have no suggestions. Communication issues in 2019 are showed as follows. | | | |
| Audit Committee | Communication Item | Communication Result | |
| 3-6 (2019.3.19) | Report for 2018 Internal Audit | Notification | |
| | 2018 Internal Audit Self Evaluation (Announcement of Internal Control) | Approval after review before submission to the board of directors for resolution | |
| 3-7 (2019.5.6) | Report for 2019 1Q Internal Audit | Notification | |
| 3-9 (2019.8.7) | Report for 2019 2Q Internal Audit | Notification | |
| 3-11 (2019.12.17) | Report for 2019 3Q Internal Audit | Notification | |
| | Audit Project for 2020 | Approval after review before submission to the board of directors for resolution | |
| (3) Independent Director and CPA have good communication, and independent directors have no suggestions. Summary of communication issues in 2019 are showed as follows. | | | |
| Audit Committee | Communication Item | Communication Result | |
| 3-6 (2019.3.19) | Report for 2018 consolidate and parent company only financial statements | Approval after review before submission to the board of directors for resolution | |
| | The effect resulted from updated IFRS, regulations and tax law | Notification | |
| 3-9 (2019.8.7) | Report for 2019 2Q consolidate financial statements | Approval after review before submission to the board of directors for resolution | |
| | Effect of the revised Income Tax Act | Notification | |

3.3.3 Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

| Items | Implementation status | | | Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons |
|---|-----------------------|----|--|--|
| | Yes | No | Summaried Explanation | |
| A. Whether the company has formulated and publicized “Corporate Governance Best Practice Principles”, according to “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies” | V | | The company’s 21th board of directors already approved the company’s “Corporate Governance Best Practice Principles” at its 13th meeting (March 25, 2008) and also made four amendments by Boeard of directos from 2013 to 2016, which has been posted on the Market Observation Post System and the company’s website. | Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” |
| B. The company’s shareholding structure and shareholders’ equity a. Whether the company has formulated and implemented internal procedure for handling suggestions, questions, disputes, and litigation of shareholders. b. Whether the company has got hold of the list of major shareholders and their ultimate controllers. c. Whether the company has established and implemented risk-management and firewall mechanism pertaining to affiliates. d. Whether the company has formulated internal norms forbidding the company’s insiders to take advantage of unpublicized information in trading in securities. | V | | a. The company has installed stock-affairs unit, which handles shareholders’ suggestions or disputes, among others. b. The company has got hold of the list of major shareholders and their ultimate controllers, which is updated regularly. c. In accordance with the "Administrative Rights and Responsibilities and Related Instructions for Relational Enterprises" and the internal control system "Supervision and Management of Subsidiaries" and "Management of Related Party Transactions", the company has clear differentiation of rights and responsibilities for personnel, assets and financial management with affiliated companies, regularly checks the accounting and internal control systems of affiliated companies, and establish appropriate risk control and firewall mechanisms. d. The company has formulated internal norms forbidding insiders to take advantage of unpublicized information in trading in securities. | a. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”. b. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”. c. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”. d. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”. |
| C. Composition and duties of the board of directors a. Whether the board of directors has formulated and achieved diversification for the composition of its membership. | | | a. In line with the policy of membership diversification for the board of directors, as stipulated in the "practical guidelines for corporate governance." Include but not restrict the following 2 standards: i. Basic condition: sex, age, nationality and culture ii. Professional knowledge and skill: professional background (such as law, accounting, industry, finance, marketing and technology), professional skill and industrial experience. | a. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” |

| Items | Implementation status | | | Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons |
|---|-----------------------|----|--|---|
| | Yes | No | Summaried Explanation | |
| <p>b. Whether the company has installed on its own various functional committees other than the compensations committee and the auditing committee.</p> <p>c. Whether the company has formulated measures and methods for the evaluation of the performance of the board of directors and carryout regular performance evaluation every year.</p> | V | | <p>Management target: The members of the board of directors include at least one female director; the director who concurrently serves as the manager of the company does not exceed one third of the number of directors; no more than two of the directors have a relationship within the scope of spouse or second degree kinship.</p> <p>At present, there are 15 members of the 25th board of directors (including 3 independent directors). Each term is 3 years and can be re-elected. One of them is a female director (accounting for 6.67%); one is a Japanese director (accounting for Ratio is 6.67%); two directors have manager status (13.33%); the two have relatives within the second degree (13.33%); independent directors account for 20% (term of two independent directors The seniority is less than 3 years, and the term of an independent director is 4-6 years).</p> <p>Members of the board of directors are all outstanding figures in industry and academia, with abundant experience in corporate governance and industrial technologies, as well as expertise in money, finance, accounting, and law. Members of the Board attend the BOD meeting actively and attendance in person in 2018 reaches at 95.56%. The members monitored and understand the execution of business plans effectively.</p> <p>b. The company already approved the institution of the “compensations committee” at the 13th meeting of the 22th board of directors (Aug. 22, 2011) and the “audit committee” at the first meeting of the 23th board of directors (June 15, 2012). In order to establish a good governance system, rationalize and strengthen management functions, fulfill corporate social responsibilities, and attain sustainable development, the 25th board of directors resolved in its third meeting (on Aug. 13, 2018) to set up "corporate governance and sustainability committee." (note 2)</p> <p>c. According to its organizational charter, the company's salary and compensations committee convenes regularly to evaluate the performance of the board of directors every year. In order to materialize corporate governance and clearly delineate performance objective, for enhancing the function and operating efficiency of the board of directors, the board of directors resolved to formulate the company's "Rules Governing the Board Performance Evaluation" on November 13, 2015, in line with the stipulation of article 37 of "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" At the end of every year, the secretariat of the board of directors would</p> | <p>b. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”</p> <p>c. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”</p> |

| Items | Implementation status | | | Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons |
|-------|-----------------------|----|--|--|
| | Yes | No | Summaried Explanation | |
| | | | <p>collect information on the activities of the board of directors and issue questionnaires for self evaluation before recording the evaluation results and reporting them to the board of directors for review and improvement. External professional independent agent or external expert team may be hired to evaluate the performance evaluation of BOD and issue external evaluation report every three years.</p> <p>In 2017, the company entrusted the Taiwan Institute of Ethical Business and Forensics in evaluating the performance of the board of directors (including functional committees under the jurisdiction of the board of directors, such as audit committee and compensation committee), via the methods of data review, questionnaire, and interviews. Evaluation dimensions include: participation in the meetings of the board of directors (attendance rate/activeness in participating in discussion), professional competence (continuing study), legal compliance (conformance to regulation in reporting share transfer/assistance for the company in legal compliance), and community participation (attendance rate for corporate events/assistance for the company in upholding the company's relationship with stakeholders). The evaluation report, which was submitted to the board of directors on March 26, 2018, points out that operation of the meetings of the board of directions and functional committees was smooth and communication channel among members was not blocked, and members identified with corporate culture and management concept. Suggestion for improvement: the management team can consider including report on the global market and industrial trend for the company's products at the meetings of the board of directors, so as to give directors an opportunity in accessing information on business management environment, in addition to reviewing and analyzing failures in the execution of resolutions, so as to improve the effectiveness of decision making.</p> <p>2018 & 2019 Performance evaluation of BoD was conducted by secretariat division of the board of directors through internal self evaluation. Items covered by self evaluation questionnaire includes 48 items in five sections: participation in company's operation, enhancement of quality of decision made by BoD, Composition and structure of BoD, selection and continual training of directors and internal control. The evaluation report was submitted to the board meeting on March 26th, 2018 and February 24th, 2019. All items reached the related standard. The performance of BoD in 2018 and 2019 demonstrates its sound operation.</p> | |

| Items | Implementation status | | | Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons |
|---|-----------------------|----|---|--|
| | Yes | No | Summaried Explanation | |
| d. Whether the company has regularly evaluated the independence of certified public accountants. | | | <p>Improvement actions:</p> <p>i. The company's "Global Sales and Operation Center" organization target development planning report has been submitted to the Board of Managing Directors on February 25, 2019 and the board meeting on March 26, 2019. It is planned to strengthen cooperation with various affiliated companies and distributors, provide better and faster support, and promote competitiveness, market share, and customer satisfaction.</p> <p>ii. The analysis report of benchmarking company strategy and business structure transformation has been submitted to board of managing directors on October 21, 2019 and the board of directors meeting on November 12, 2019. The company is the world's leading manufacturer of industrial products and will take a company-wide digitalization strategy as its main theme to truly implement digitalization.</p> <p>The 2020 “Board Performance Assessment” will be commissioned by an external professional independent institution or a team of external experts and scholars. The "Board Performance Evaluation Results" of each year will be provided to the "Compensation Committee" and "Corporate Governance and Sustainability Committee" as a reference for individual directors' remuneration and nomination renewal.</p> <p>d. The 23rd board of directors also approved at its 19th meeting Dec. 22, 2014) the company's “measures for the selection and evaluation of certified public accounts,” calling for regular review of the independence and adequacy of certified public accountants. The company's financial and accounting units evaluated CPAs Wu, Yu-Lung and Chou, Chien-Hung of PwC Taiwan according to the CPA evaluation scale and ascertained their conformance to the company's evaluation standards, in terms of independence and suitability, proving their qualification to become the company's contracted CPA, finding which was approved by the 25th board of directors at the 5th meeting (Dec. 22nd, 2018) and the 25th board of directors at the 11th meeting (Dec. 24, 2019)</p> | d. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” |
| D. Does the listed company assign a department for corporate governance or a staff in charge of related issues (include but not restrict providing directors and supervisors with information to conduct business, holding board meeting, AGM, registration and updated registration for the company, composing meeting | V | | The Company established the "Corporate Governance Center" in July 104 in accordance with Article 3-1 of the "Corporate Governance Best Practice Principles". Currently, it has 9 dedicated staff to handle corporate governance related matters. According to the "Points of Matters to Be Followed by the Board of Directors of Listed Companies", at the 25-7th board meeting (209.5.13), it was decided to appoint the Deputy Director of the "Corporate | Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ |

| Items | Implementation status | | | Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons |
|---|-----------------------|----|---|--|
| | Yes | No | Summaried Explanation | |
| minutes for board meeting and AGM based upon the regulation | | | <p>Governance Center”, Shih-Hsiung, Chien, as the company's full-time head of corporate governance. He has more than three years of relevant management experience of public listed companies and is registered as an appointed manager in accordance with the company's articles of incorporation.</p> <p>The main duties are handling in a legal manner affairs related to the meetings of the board of directors and shareholders' meeting, production of minutes of the meetings of the board of directors and shareholders' meeting, assistance for directors in assuming their offices and continual training, and undertaking continuing provision of data needed by directors in the execution of their duties, assistance for directors in legal compliance, safeguard of shareholders' benefits, and strengthening of the function of the board of directors. The implementation of corporate governance 2018 has submitted to the meeting of Corporate Governance and Sustainability Committee on January 24th, 2018 as well as Bod meeting on March 26th, 2018. The report is showed as follow:</p> <ul style="list-style-type: none"> i. Arrangement of the meetings of the board of directors according to law/regulation: Notify all directors seven days in advance and provide related data, to facilitate their understanding of items on the agenda; remind directors avoiding interest of conflict, should the items be related to their interests or the interests of legal entities they represent; distribute minutes for the meeting within 20 days. ii. Arrangement of shareholders' meeting according to law/regulation: Register date for shareholders' meeting by legal deadline, produce and submit notice, manual, and minutes of the meeting by deadline, and change corporate registration after revision of corporate charter or election of directors and supervisors. iii. Based upon “Regulations Governing the Board Performance Evaluation,” board secretary collects the information related activities of the board, distributing the questionnaire to collect self evaluation of the board of directors, turning in to the board to review and improve at the end of the year. And commission outside independent institutions or experts/scholars to carry out the evaluation at least once every three years. iv. Assistance for directors in compliance with various laws, regulations, and guidelines: Arrange study courses for directors at least twice a year and provide data irregularly needed by directors in the execution of their duties, conducive to their understanding of latest legal development related to the company's operation; invite certified public | |

| Items | Implementation status | | | Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons |
|---|-----------------------|----|--|--|
| | Yes | No | Summaried Explanation | |
| | | | <p>accountant to attend meetings of the board of directors at least twice a year to exchange opinions with directors on annual report and semiannual report, as well as the updating of IFRSs, securities laws/regulations, and tax laws/regulations.</p> <p>v. Oversee the establishment of "administrative platform for corporate governance," in order to integrate and track various corporate-governance indicators and have a firm grip of the progress of corporate governance. Starting from the company's vision for corporate governance and based on the evaluation indicators of the "corporate governance evaluation," drafted by the Taiwan Stock Exchange, the platform reviews regularly, alongside various related units, various corporate-governance items, sets various corporate-governance goals, and tracks the execution, as well as results, of various corporate-governance items by units in charge, so as to sustain performance.</p> <p>vi. Handle related issue about investor relations: investor relations team provides AGM information, material information announcement, financial statements, presentation material about finance and operation, information about domestic and overseas conferences.</p> <p>According to "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies," the company's corporate governance chief will arrange courses related to execution of duties with study time meeting legal requirement. Since taking office from 2019.5.13 to 2019.12.31, Deputy Director Sih-Hsiung, Chien has completed 12 hours (please refer to the 2019 manager training program).</p> | |
| E. Whether the company has established communications channel for stakeholders (include but not restrict shareholders, employees, customers and suppliers) and dedicated sector for stakeholders on its website, in addition to responding properly to key issues on corporate social responsibility concerned by stakeholders. | V | | <p>The company attaches great importance to stakeholders' attention to issues and communication channels. It has smooth communication channels with stakeholders in various fields such as shareholders, employees, customers, suppliers, local communities, NGOs, and government units. Regular / irregularly publish information or communicate directly with stakeholders, respect and maintain their legitimate rights and interests, and implement corporate governance integrity and transparency (see Note 4: Issues which stakeholders focus and communication channel).</p> <p>Set up a corporate social responsibility / TECO sustainable commitment / stakeholder communication area on the company's website, and a dedicated person will respond to important corporate social responsibility issues that stakeholders are concerned about.</p> | Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ |

| Items | Implementation status | | | Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons |
|---|-----------------------|----|---|--|
| | Yes | No | Summaried Explanation | |
| F. Whether the company has entrusted professional stock-affairs agent to handle shareholder’ meeting. | V | | The company has entrusted a professional stock agency to handle the affairs of the shareholders' meeting. Stock agency: Taishin International Commercial Bank's stock agency (tel: 886-2-2504-8125, address: B1, No. 96, Section 1, Jianguo North Road, Zhongshan District, Taipei City) | Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies“ |
| G. Information publication a. Whether the company has installed website for publication of information on finance, business, and corporate governance. b. Whether the company has publicized information via other methods (such as installation of English-language website, designations of persons in charge of collection and publication of company information, materialization of the system of spokesman, and posting of the process of investors’ conference on the company website). c. Does the company release the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation within the prescribed time limit? | V | | a. The company institutes website for disclosing the status of finance and corporate governance. The address of the corporate website: www.teco.com.tw b. The company institutes English-language website (http://www.teco.com.tw/en_version/index.asp), According to the company's measures for news release, Collection and disclosure of company information is in the charge of designated staffer. After approval by the president, various units can notify the public relations unit for news release which will then be transferred to the spokesman for execution. According to the company's measures for information publication, spokesman should disclose company information to all investors and media at the same time in a fair manner. c. The company publishes and declares annual financial reports (within three months), the first, second, and third quarter financial reports (within 45 days) and monthly operating conditions (before 10th of each month) within the time limit specified in Article 36 of the Securities Exchange Law . Because there are hundreds of merged individuals, temporarily not been able to announce and declare the annual financial report within two months after the end of the fiscal year. 2019 Annual financial statements have been announced and declared on 2020.3.19. | a. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies“ b. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies“ |
| H. Whether the company has other information conducive to understanding the status of corporate governance (including, but not limited to, staffers’ interests, concern for staffers, investor relationship, supplier relationship, stakeholders’ rights, advanced study of directors and supervisors, execution of risk-management policy and criteria for risk assessment, execution of customer policy, and taking out of liabilities insurance for directors, | V | | a. a. In order to safeguard employees' benefits, labor union has been established, on top of regular labor-management meeting, as a bridge of communications with employees. At quarter meeting at headquarters and weekly meeting at various plant premises, senior managers would explain to employees the company's current business performance and challenges and open commend those with extraordinary performance. b. The company set up committee of employees' welfare as early as 1964, in charge of pushing various welfare measures and planning series of measures caring for employees' families, so as help employees build a harmonious familial relationship and improve their health, so as to enhance their performance. c. The company has set up a unit dedicated to periodic disclosure the company's major business information, boosting information | Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies“ |

| Items | Implementation status | | | Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons |
|------------------|-----------------------|----|--|--|
| | Yes | No | Summaried Explanation | |
| and supervisors. | | | <p>transparency, as well as a feedback mechanism for accepting suggestions of investors on the company's development, in addition to active participation in investor conferences, so that investors can have firm grip on the company current business status and development planning.</p> <p>d. The company's representatives visit each supplier at least twice a year. The company has been pushing the establishment of e-procurement platform, as an effective communications channel for suppliers worldwide. The business group has also formulated a uniform list of qualified sales agents.</p> <p>e. To uphold the rights of stakeholders, they can express their suggestions and complaints via telephone, fax, or e-mail, which will be handled by designated staffers, and employees are also encouraged to report violations of laws or regulations via dedicated mailbox.</p> <p>f. In 2019, all the directors of the company engaged in advanced study with hours meeting the requirement of "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies," with total study time reaching 101 hours, on top of total study time of 60 hours for managers.</p> <p>g. The company has dedicated to the establishment of a complete risk-management system, actively taking into account all the risks which may occur in the company's operation and assuring compliance by the company with related laws and regulations. Meanwhile, assure continuing effectiveness of the company's internal control system via auditing system. Various auditing tasks by the auditing unit ascertain the effectiveness of the company's internal control system, as shown in the low risks of various environmental indicators in 2019.</p> <p>h. The company has dedicated to the provision of quality products with high price-performance ratio to customers. In order to meet customer demands for products and services, the company has also endeavored to better understand their expectation for the company and its products, via multiple channels, including dedicated customer service phone lines, seminars, field visits, after-sales tracking, telephone calls, corporate website, and media, so as to lower the risks of major loss for the company and shareholders which could be caused by the mistake or negligence of directors.</p> <p>i. The company has taken out liabilities insurance for directors covering possible liabilities related to their responsibilities during their tenure since 1999. Report on the insurance, including insurance amount</p> | |

| Items | Implementation status | | | Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons |
|---|-----------------------|----|---|---|
| | Yes | No | Summaried Explanation | |
| | | | (US\$10 million), coverage (all the directors), premium rate, and insurance period (2019 and 2020) was delivered at the 6th meeting of the 25th board of directors (2019.3.26) and 12th meeting of the 25th board of directors.(2020.2.24) | |
| I. Please illustrate the improvement based upon Corporate Governance Evaluation Result released by Taiwan Stock Exchange. | V | | <p>a. The company was granted top 5% evaluation in corporate-governance evaluation for six years running since fiscal 2015.</p> <p>b. The situation has been improved: In order to clearly define the responsibilities of the chairman and the general manager, the deputy president Chao-Chih, Lien was temporarily acting as the general manager on 2018.4.25. The spirit of corporate governance. Chairman Chwen-Jy, Chiu no longer act as general manager to implement the spirit of corporate governance.</p> <p>c. Priority strengthening matters and measures: In order to diversify the schedule of the shareholders' meeting and facilitate the shareholders to participate in the shareholders' meeting, the Company held a regular shareholders' meeting before the end of May since 2020.</p> | Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” |

Note 1: Implement the policy of diversification in the board

| Name Name | Basic Condition and Value | | Back-ground | Knowledge and Skill | | | | | | | |
|--|---------------------------|-------------|-------------------------|-------------------------|--|--------------|---------------------|----------------------|------------------------|------------------|-----------------|
| | Sex | Nationality | | Judg-ment for operation | Analytical Skills for accounting and finance | Man-a-gement | Crisis Man-a-gement | Indus-try know-ledge | Inter-national outlook | Lead-Ing Ability | Decision Making |
| Tung Kuang Investment Co., Ltd. Representative: Chwen-Jy, Chiu | F | Taiwan | Business Administration | v | v | v | v | v | v | v | v |
| Tong Ho Gloabl Investment Co., Ltd Representative : Chao-Kai, Liu | M | Taiwan | Electronic Engineering | v | v | v | v | v | v | v | v |
| Cheng-Tsung, Huang | M | Taiwan | Economy | v | v | v | v | v | v | v | v |
| Creative Sensor Co., Ltd. Representative: Yu-Ren Huang | M | Japan | Electronic Engineering | v | v | v | v | v | v | v | v |
| Wei-Chi, Liu | M | Taiwan | Business Administration | v | v | v | v | | v | v | v |
| Jin-Fu, Chang | M | Taiwan | Electronic Engineering | v | | v | v | v | v | v | v |
| Ting-Wong, Cheng | M | Taiwan | Accounting | v | v | v | v | v | v | v | v |
| Mao-Hsiung, Huang | M | Taiwan | Economy | v | v | v | v | v | v | v | v |
| Yinge Int. Inv. Co.,Ltd Representative : Po-Chih, Huang | M | Taiwan | Engineering | v | v | v | v | v | v | v | v |
| Hung Shun Investment Co., Ltd Representative: Tzu-Yi, Kuo | M | Taiwan | Business Administration | v | v | v | v | | v | v | v |
| Tong-An Investment Co., Ltd. Representative : Shang-Wei, Kao | M | Taiwan | Management | v | v | v | v | | v | v | v |
| Kuang Yuan Industrial Co., Ltd. Representative: Shih- Chien, Yang | M | Taiwan | Electronic Engineering | v | v | v | v | v | v | v | v |
| Tung Kuang Investment Co., Ltd. Representative: Hong-Hsiang, Lin | M | Taiwan | Mechanical Engineering | v | v | v | v | v | v | v | v |
| Yubantec & Co., Ltd. Representative: Tung-Hai, Kao | M | Taiwan | Accounting | v | v | v | v | | v | v | v |
| Yung-Hsiang, Chang | M | Taiwan | Industrial Management | v | v | v | v | v | v | v | v |

Note 2: Information on the operation of corporate governance and sustainability committee

In order to establish a good governance system, rationalize and strengthen management function, fulfill corporate social responsibilities, and attain sustainable development, the company's 25th board of directors resolved in its third meeting (on Aug. 13, 2018) to set up "corporate governance and sustainability committee." The committee consists of more than three directors, over half of them independent directors, with convener and chairman of committee meetings being served by an independent director to be elected by committee members.

According to the company's "organization regulations for corporate governance and sustainability committee," the committee convenes at least twice a year and is in charge of reviewing the soundness of the company's corporate governance organization and system, the nomination of the candidates for directors and independent directors, supervision of the fulfillment of corporate social responsibilities and attainment of sustainable development, and strengthening of the operation and management of the units under the direct jurisdiction of the board of directors, among others.

The current corporate governance and sustainability committee consists of five members, with tenure starting from Aug. 13, 2018 through June 14, 2021. Status of attendance for the two meetings of the committee in the recent year follows:

| Title | Name | Times of attendance | Attendance rate (%) | Note |
|-----------------------|-------------------|---------------------|---------------------|---|
| Convener and chairman | Wei-Chi, Liu | 4 | 100% | Financial management, industry-government education and social service experience |
| Member | Ting-Wong, Cheng | 4 | 100% | Financial Management and Accounting |
| Member | Jin-Fu, Chang | 4 | 100% | Electrical Engineering and Information Science |
| Member | Chwen-Jy, Chiu | 4 | 100% | Finance and Management |
| Member | Mao-Hsiung, Huang | 4 | 100% | Management and Industrial Innovation |

Other items of mandatory registration:

1. In case the board of directors turns down suggestions of corporate governance and sustainability committee, specify the date and number of the meeting, contents of the case, resolutions of the board of directors, and status of the handling of the committee's opinions by the company: nil
2. Opposition or reservation of members on record or in written statement against resolutions of corporate governance and sustainability committee: nil
3. The main items reviewed are summarized below

| corporate governance and sustainability committee | Item | Result |
|---|---|--|
| 1-1 (2018.11.13) | Eelect the convener of the "Corporate Governance and Sustainability Committee". | Wei-Chi, Liu, managing and independent director, serves as the convener and chairman of the "Corporate Governance and Sustainability Committee". |
| 1-2 (2019.1.24) | The company's "CSR Committee", "Corporate Governance Center" and "Law Compliance and Legal Affairs Office" 2019 work plan. | After deliberation and approval, execute by each units and submitted to the board of directors. |
| 1-3 (2019.8.7) | (1) "CSR Committee", "Corporate Governance Center" and "Legal Compliance and Legal Affairs Office" Annual Work Plan Executive Performance reports. (2)To amend the company's "Corporate Governance Best Practice Principle" case. | It was reviewed and approved and reported to the board of directors. |
| 1-4 (2020.1.13) | (1) 2020 important legal compliance issues report. (2) "Uncontrollable sustainable risk" and its preventive measures report. (3) The company's "CSR Committee", "Corporate Governance Center" and "Law Compliance and Legal Affairs Office" 2020 work plan. | After deliberation and approval, execute by each units and submitted to the board of directors. |

Note 3: Evaluation for CPA

| A. Requirement of Independence | | |
|--------------------------------|--|--------|
| | Item | Result |
| 1 | Do certified public accountants, their spouses, or minor children have relationship of investment or financial-interest sharing with the company? | No |
| 2 | Whether certified public accountants, their spouses, or minor children have borrowing or loaning relationship with the company? It doesn't cover cases involving financial institutions as clients for normal dealings. | No |
| 3 | Whether certified public accounts or members of auditing service panel serve as the company's directors, managing staffers, or other positions with significant influence on the audited cases at present or recent two years? | No |
| 4 | Whether certified public accountants or members of auditing service panel undertake promotion or brokerage of stocks or other securities floated by the company? | No |
| 5 | Whether certified public accountants or members of auditing service panel represent the company in defending cases involving the company and third parties or other disputes? | No |
| 6 | Whether certified public accounts or members of auditing service panel are spouses, direct blood relatives, direct relatives by marriage, or relatives within second-degree kinship of the company's directors, managerial staffers, or employees with significant influence on audited cases? | No |
| 7 | Whether there are certified public accountants relieving joint practice within one year who now serve as the company's directors, managerial staffers, or other positions with significant influence on audited cases? | No |
| 8 | Whether certified public accountants or members of auditing service panel receive major gifts or preferential treatments from the company's directors, managerial staffers, or major shareholders? | No |
| 9 | Whether certified public accountants are hired by clients or persons under investigation for regular jobs, reception of fixed pays, or service of directors or supervisors? | No |
| B. Operation of Independence | | |
| | Item | Result |
| 1 | Whether certified public accounts can maintain independence in substance and form for audition, perusal, recheck, or special inspection of financial statements before offering opinions? | Yes |
| 2 | Whether members of auditing service panel, other certified public accountants with joint practice or shareholders of legal firms, legal firms, affiliates of legal firms, or allied legal firms can keep independence with the company? | Yes |
| 3 | Whether certified public accountants carry out professional service in upright and rigorous manner? | Yes |
| 4 | Whether certified public accountants can keep fair and objective stance, avoiding influence of prejudice, conflicting interest, or relationship of interest on professional judgment? | Yes |

Note 4: Issues which stakeholders focus and communication channel

| Stakeholder | Issue | Communication Channel | Communication Result |
|-------------|---|---|--|
| Shareholder | <ul style="list-style-type: none"> Business development and operation Financial transparency Risk management Corporate governance Environmental protection | <ul style="list-style-type: none"> Market Observation Post System at Taiwan Stock Exchange Shareholder meeting---at least once a year (2019.6.14) Investment forums in Taiwan and abroad---8 forums in 2019 Visits by representatives of investment corporations---167 person-visits in 2019 Relation/stock mailboxes dedicated to investors ---immediate replies by responsible persons Contact window:(IR) ir@teco.com.tw | <ul style="list-style-type: none"> Chosen as a component stock of Taiwan Sustainability Index In 2019 corporate governance evaluation, Teco Electric & Machinery ranked high in every performance indicator for the evaluation and ranked as the top 5% award for six consecutive years |
| Employee | <ul style="list-style-type: none"> Business development and operation Relations between company and employees\Employees' rights and interests Training and career development Occupational environment Expression of employees' opinions and | <ul style="list-style-type: none"> Company-employee meetings---once every quarter Employees' meetings---once every quarter Executives' symposiums---once half a year Occupational safety and health committee---a meeting every quarter Employee welfare committee | <ul style="list-style-type: none"> A symposium is held once a year for company president, manager of every factory, company's human resource director as well as directors and supervisors of the company's labor union. Employees' social participation is encouraged, with voluntary social workers' total input exceeding 2,212 hours in 2019. Besides, the |

| Stakeholder | Issue | Communication Channel | Communication Result |
|-------------------------------------|---|---|---|
| | communication | <ul style="list-style-type: none"> • Publication of a bimonthly • Survey of employees' satisfaction---once a year • Proposals for improvement • Contact window:(HR) edwardyu@teco.com.tw | <ul style="list-style-type: none"> • company promoted a credit system and paid leaves for voluntary contribution to social benefit. • 434 courses were offered in 2019 under the company's training program and business units' separate training plans, with an employee receiving 18.1-hour training on average. |
| Client | <ul style="list-style-type: none"> • Labeling for products and services • Customers' health and safety • Marketing communication • Survey of customers' satisfaction • Green products | <ul style="list-style-type: none"> • Dedicated telephone lines for response to customers if needed • 1-4 symposiums a year for sales agents and irregular calls on sales agents • Tracking of after-sale services---by telephone talks • company's website and media---updated in needed • Questionnaire survey of satisfaction---1-4 times a year • Contact window:(Spokesperson) speaker@teco.com.tw | TECO takes the electromechanical business as the main body, and sends customer satisfaction questionnaires to global households twice a year, collecting feedback as the key improvement goal. |
| Supplier | <ul style="list-style-type: none"> • Green supply chain management • Human right evaluation for suppliers • Operational performance • Order management • Quality management • Technology used in production | <ul style="list-style-type: none"> • Evaluation of suppliers • Examination of suppliers • Counseling for suppliers---offered if needed • E-procurement---if needed • Contact window:(Procurement)Jasper.Y@teco.com.tw | <ul style="list-style-type: none"> • Risk assessment and on-site evaluation were undertaken for key suppliers, with key suppliers • Suppliers signed agreements for protection of human rights and environment |
| Local community | <ul style="list-style-type: none"> • Occupational safety and health • Environmental management • Social participation • Voluntary services for social benefit | <ul style="list-style-type: none"> • Service centers in industrial parks---services provided irregularly • Joint efforts to prevent impact of disasters on neighborhoods of industrial parks---once every quarter • Communication mailbox at the company's website---for use irregularly • Employees' voluntary work for social benefit---activities held every quarter • Contact window:(PR) pr@teco.com.tw | <ul style="list-style-type: none"> • No violations of regulations on air pollution and waste disposal as well as no events with negative impact on neighboring communities • Participation in joint efforts and cooperation with other companies stationed in industrial parks to prevent impact of disasters on residential communities neighboring industrial parks • Energy-saving education totaling 600 man-hours was offered for local communities and schools |
| NGO (non-governmental organization) | <ul style="list-style-type: none"> • Environmental protection • Social benefit • Labor conditions | <ul style="list-style-type: none"> • Disclosure of non-financial information---regular publication of CSR (corporate social responsibility) reports every year, disclosing the company's action in environmental protection, social responsibility and corporate governance and results accordingly • Greenhouse gas inventory---the company passes BSI (British Standards Institution) ISO 14064-1 verification to obtain reasonable level of assurance every year • Contact window:(IR) ir@teco.com.tw | <ul style="list-style-type: none"> • Active participation in external organizations and advocacy to support goals of sustainable development and government policies • Invited a total of 80 children from Taipei TFCF center, New Taipei TFCF Center, Wanhua Children Service Center, and Jiuru Community Development Center to participate in the TECO charity Games, and donated 116,000 NTD to these four groups |

| Stakeholder | Issue | Communication Channel | Communication Result |
|-------------------|--|---|--|
| Government agency | <ul style="list-style-type: none"> Regulatory compliance Occupational safety and health Reduction in greenhouse gas emission Environmental protection Energy management | <ul style="list-style-type: none"> Irregular attendance in symposiums and public hearings on regulations held by authorities concerned Promotion of compliance with latest anti-corruption regulations and rules of faithful operation at employees' meetings---once every quarter Contact window:(Spokesperson) speaker@teco.com.tw | <ul style="list-style-type: none"> Market Observation Post System at Taiwan Stock Exchange--Over 375 updates of information in 2019 (26 material information declarations) Pursuant to OHSAS (Occupational Health and Safety Assessment Series) 18001 and CNS 15506 under Taiwan Occupational Safety & Health Management System (TOSHMS), the company has set up an OSHMS for efficient management to secure employees' occupational safety and health |

3.3.4 Compensation Committee

(1) Information on Members of Compensation Committee

| Status | Conditions Name | Whether or not possess over five years of working experience and following professional qualifications | | | Conformance to independency (note 2) | | | | | | | | | | Number of part-time positions on the compensation committees of other companies | Note |
|----------------------|--------------------|---|--|---|--------------------------------------|---|---|---|---|---|---|---|---|----|---|------|
| | | Instructors or higher position in the fields of commerce, law, finance, accounting or other related departments at universities | Judges, prosecutors, lawyers, certified public accountants, or other related professionals or technicians with government licenses | Working experience in commerce, law, finance, accounting, or other related fields | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| Independent Director | Wei-Chi, Liu | v | | v | v | v | v | v | v | v | v | v | v | v | 1 | |
| Independent Director | Ting-Wong, Cheng | v | v | v | v | v | v | v | v | v | v | v | v | v | 2 | |
| Independent Director | Jin-Fu, Chang | v | | v | v | v | v | v | v | v | v | v | v | v | 0 | |

Note 1: Status would be filled as Director, Independent Director or Other.

Note 2: For members conforming the following conditions during the two years before the appointment or the term of the position, please give a check mark "✓" in the black space under the code of various conditions:

- (1) Not an employee of the company or its affiliates
- (2) Not a director or supervisor of the company or its affiliates, excluding independent director set up by the parent company and subsidiary based upon Company Law or local regulations.
- (3) Not a shareholder owning over 1% stake in the company, in the names of himself/herself, the spouse, offspring before the age of majority, or others, or not one of the top-10 natural-person shareholders
- (4) Not spouse or relatives within second kinship or relatives of direct lineage within third kinship of the aforementioned three kinds of persons
- (5) Not director, supervisor, or employee of institutional shareholder owning over 5% stake in the company directly, or director, supervisor, or employee of the top-five institutional shareholders
- (6) Not director, supervisor, manager, or shareholder with over 5% stake of specific company or institution with financial or business dealing with the company
- (7) Not professionals providing commercial, legal, financial, and accounting services or consulting to the company or its affiliates; not owner, partner, director, manager, or spouse of such person of firms of sole proprietorship or partnership, companies, or institutions providing aforementioned services or consulting to the company and its affiliates.
- (8) Without cases mentioned in various clauses of Article 30 of Company Law
- (9) Professionals, sole proprietorships, partnerships, business owners of companies or institutions that do not provide audits for companies or related companies or business, legal, financial, accounting and other related services that have not received more than NT\$ 500,000 in cumulative compensation in the past two years Partners, directors (directors), supervisors (supervisors), managers and their spouses. However, members of the Compensation Committee, Public Takeovers Review Committee, or M&A Special Committee performing their functions and powers in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M&A Act are not limited to this.
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law

(2) Information on Members of Compensation Committee

A. There are three members in Compensation Committee

B. The term of the current committee: June 15, 2018 to June 14, 2021. The committee has met two times (A) in the recent year. The attendance and qualifications of committee members follow:

| Title | Name | Number of attendance (B) | Number of attendance via proxy | Actual attendance rate (%) (B/A) (note) | Note |
|---|--|--------------------------|--------------------------------|---|------|
| Covener & Chairman | Wei-Chi, Liu | 2 | 0 | 100% | |
| Member | Ting-Wong, Cheng | 2 | 0 | 100% | |
| Member | Jin-Fu, Chnag | 2 | 0 | 100% | |
| Other items needing registration: | | | | | |
| 1. In case the board of directors declines or modifies the suggestions of the compensations committee, specify the date, number, contents, and resolutions of the meeting of the board and its handling of the opinions of the compensations committee: None. | | | | | |
| 2. If a member opposes or has reservation, on record or in written form, about the resolutions of the compensations committee: None | | | | | |
| 3. Summary of main subjects of communication and results in 2019 | | | | | |
| Compensation committee | Subject of communication | | | Communication Result | |
| 4-2 (2019.3.19) | Renumeration to employees in 2018 | | | Approved, subject to final decision at directors of board's meeting | |
| | Renumeration to director of board in 2018 | | | Approved, subject to final decision at directors of board's meeting | |
| | Remuneration Proposal of Hank Horng, Assistant Vice President, the Global Sales and Operation Center of the Electrification Product Division | | | Approved, subject to final decision at directors of board's meeting | |
| 4-3 (2019.12.17) | Report on distribution of remuneration to executive manager in 2018 | | | Ratification | |
| | Distribution of 2019 year-end bonuses among employees | | | Ratification | |
| | The implementation results and plan of the company's employee shareholding trust | | | Approved, subject to final decision at directors of board's meeting | |

3.3.5 Social Responsibility

Fulfillment of social responsibility: The company's system, measures, and fulfillment for events related to social responsibility, including environmental protection, communal participation, social contribution, social services, public benefits, consumer rights, human rights, and security and hygienic.

| Items | Implement Status | | | Difference with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Company” and reasons |
|---|------------------|----|---|--|
| | Yes | No | Summaried Explanation | |
| A. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations and formulate relevant risk management policies or strategies based on the principle of materiality? | V | | The company is led by the "CSR Working Group", it regularly analyzes major issues with reference to the international universal report preparation guidelines. Through researching reports, literature, and communication with internal and external key stakeholders, the content of each topic and its priority are set Sequence, and integrate the risk list proposed by each department, conduct risk assessment and put forward corresponding strategic recommendations, and after review by the chairman, report to the "Corporate Governance and Sustainability Committee" of the board and formulate an annual work plan. . | No difference |
| B. Whether the company has instituted unit for pushing fulfillment of corporate social responsibility, either on full- or part-time basis, in addition to having the board of directors authorize ranking management to handle the issue before reporting the outcome to the board of directors. | V | | The company established the "Corporate Governance and Sustainability Committee". The members of the committee are composed of more than three directors, of which more than half should be independent directors. One independent director shall be elected by the members as the convener and chairman of the meeting. The current convener is Wei-Chi, Liu, managing and independent director. Meetings are held regularly every year. Routine affairs are promoted by the "CSR Working Group"; the working group reports directly to the chairman on a regular basis every month, tracks the implementation of TECO's corporate social responsibility goals and policies, and summarizes the company's relevant performance, and prepares and publishes annual corporate social responsibility reports | No difference |
| C.Environment issues a. Does the company establish an appropriate environmental management system according to its industrial characteristics? b. Is the company committed to improving the utilization efficiency of various resources and using recycled materials with low impact on environmental load? | V | | a. Established and verified environmental management system according to ISO 14001. According to the ISO 14064-1 standard, we conduct annual greenhouse gas inventory, track the effectiveness of emission reduction and publicly disclose it in the corporate social responsibility report and website b. The product side is to develop IE3 / IE4 high-efficiency motors, inverters, first-class energy efficiency and energy-saving water-saving labels for air-conditioning appliances and other products, and the process is also changed to high-efficiency motors, energy-saving lamps and other energy-saving and EMS to monitor the best energy use. The motor casing uses "silicon steel scrap and scrap steel recycled material casting", transportation packaging reduction and container recycling to reduce resource consumption; refrigerators and air-conditioning products are developed using environmentally friendly refrigerants, which greatly reduces refrigerant greenhouse gas emissions from manufacturing, product services and scrap end; from all aspects of efforts to reduce the impact on the environment. | No difference |

| Items | Implement Status | | | Difference with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Company” and reasons |
|--|------------------|----|--|--|
| | Yes | No | Summaried Explanation | |
| <p>c. Whether the company has noticed the effect of climate change on its business activities, conducted check on greenhouse gases, and formulated strategy on energy conservation and carbon/greenhouse gases abatement.</p> <p>d. Has the company counted greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?</p> | | | <p>Relevant data are publicly disclosed in the corporate social responsibility report.</p> <p>c. From this year, the company refers to the use of climate change-related financial disclosure (TCFD) structure for risk and opportunity assessment and corresponding strategic recommendations. After review by the chairman, the company reports to the board of directors "Corporate Governance and Sustainability Committee" and formulates an annual work plan.</p> <p>d. The company annually verifies and tracks greenhouse gas emission data according to the ISO 14064-1 standard, and takes "20% reduction in emissions for 10 years" as its sustainable operation goal. It promotes energy-saving measures and builds renewable energy power generation devices in production bases, and publicly exposes it to the corporate social responsibility report and website. The company saves 2% of electricity every year; saves 2% of water; and reduces waste by 10% as specific targets to manage each production base.</p> | |
| <p>D. Social Issues</p> <p>a. Whether the company has formulated relevant management policy and procedure, according to related laws/regulations and international convention on human rights.</p> <p>b. Whether the company has formulated and implemented reasonable employee welfare measures (including salary, vacation and other benefits), and appropriately reflect the operating performance or results in employee compensation?</p> <p>c. Whether the company has provided staffers safe and healthy working environment and held regular safety and health education for staffers.</p> | V | | <p>a. The company respects and supports the labor standards of the "United Nations Universal Declaration of Human Rights", "United Nations Global Covenant" and "International Labour Organization Conventions", has a human rights declaration and implements it, it includes investment agreements, fairness and non-discrimination, building good labor relations, Child labor is prohibited, forced and compulsory labor is prohibited, working hours are regulated, minimum wage are met, a safe and healthy working environment is established, education and training, supplier management, and communication channels for employee rights are unblocked.</p> <p>b. New employees of TECO have equal pay for men and women with equal pay, no gender difference, and are also higher than the government's minimum basic salary requirements. Each year, the company regards individual performance contributions as the basis for evaluating multiple rewards such as salary adjustments, variable bonuses, dividends, etc., and plans a complete grade and rank system, regardless of whether male or female employees are applicable and there is no difference. At least two performance evaluations are conducted annually, and the remuneration of managers above the manager level is directly linked to the organization's operating performance and adjusted quarterly.</p> <p>c. The company is based on occupational safety and health related laws and regulations (OHSAS 18001 / ISO 45001), the employees must be involved in safety and health education, disaster prevention training and health management and other related measures; in addition, equipment safety protection and personal safety gear are required According to standards and regulations and regularly lead by supervisors to conduct safety inspections and supervision and</p> | No Difference |

| Items | Implement Status | | | Difference with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Company” and reasons |
|---|------------------|----|--|--|
| | Yes | No | Summaried Explanation | |
| <p>d. Whether the company has established effective cultivation plan for staffers in developing capabilities essential for their career.</p> <p>e. With regard to customer health and safety, customer privacy, marketing and labeling of products and services, has the company followed relevant regulations and international standards, and formulated relevant consumer protection policies and appeal procedures</p> <p>f. Does the company formulate supplier management policies, requiring suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?</p> | | | <p>implementation, and the quarterly general manager presides over the occupational safety committee (1/3 of labor representatives) to review the implementation of various management and training to ensure the safety of employees in the workplace</p> <p>d. The company's training and development sets and implements the management mechanism in strict accordance with the PDDRO principle. Make overall analysis and consideration based on four levels: strategy / organization, work, and personal needs. Each annual course is divided into 4 categories according to the company's "Talent Development Implementation Rules", taking into account management ability, professional ability, general knowledge and company policy advocacy. In addition to establishing a training blueprint according to grade, annual employee training needs surveys are conducted, and each indirect employee will make a personal development plan (IDP) plan, so that each colleague can better discuss his career development with the supervisor so that colleagues with excellent performance and potential have the opportunity to be promoted.</p> <p>e. TECO motor products are designed in accordance with IE energy efficiency grades and comply with CE, UL and other safety standards and adopt RoHS hazardous substance restriction directive standards; home appliances are marked with energy efficiency and environmental protection labels according to government regulations. TECO Appliance provides online repair, electronic warranty register and complete after-sales service to protect the rights and interests of consumers.</p> <p>f. TECO conducts supplier selection through the three major aspects of environmental, social and governance performance to confirm the requirements of supplier management system status, capabilities and potential, and operational performance. The company conducts risk assessments and on-site evaluations of key suppliers every year, and the amount of completed evaluations has reached 84%. In order to require suppliers to implement the CSR concept together, TECO 's partners must sign the “Human Rights and Environmental Commitment Consent Form” with a signing rate of 99% this year.</p> | |
| E. Does the company refer to the internationally-accepted reporting standards or guidelines to prepare corporate social responsibility reports and other reports that disclose non-financial information? Did the pre-report report obtain the confidence or assurance opinion of the third-party verification unit? | V | | The company compiles the corporate social responsibility report in accordance with the internationally accepted report preparation guidelines (GRI Standards), and conducts independent limited assurance and disclosure through a third-party notary unit in accordance with the Republic of China Confidence Standard Bulletin No. 1 (developed with reference to ISAE 3000) on the official website. | No difference |

F. Describe the operation of company's Corporate Social Responsibility Best Practice Principles, should it exist, and its difference with "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies."
TECO promotes related work in accordance with the development of corporate social responsibility standards at home and abroad and changes in corporate environment.
There is no other code with differences

G. Other key information conducive to the understanding of the company's CSR-related affairs:

- (1) Via the function of the TECO Technology Foundation, the company uses "technology" to support the humanistic Taiwan, encourages Taiwan's technological innovation, organizes the "Green Tech" international competition, extends the company's vision of "energy saving, emission reduction, intelligence, and automation" to encourage young students to invest in energy saving Carbon science and technology research; held the TECO Award for the 26th consecutive year (1994 ~ 2019), in the four major "technology" and "electricity / information / communications, machinery / energy / environment, chemical industry / materials, biology / medical industry / agriculture" There are nearly 145 winners in the field of "Humanities", which can be regarded as the benchmark of the domestic elite efforts in science and technology and the benchmark of science and technology humanities awards. With "creative education" solidify humanistic Taiwan, we are committed to technological innovation and upgrading and activate the teaching model of school teachers, to open their teaching horizons and encourage teaching enthusiasm, and promote students from rural areas to enjoy high-quality learning opportunities and educational resources; use the "exclamation mark-the aboriginal ethnic group sustainable education plan" to call on more than 30 enterprises and NGOs to inject resources and build a resource supply and demand platform that provides technical support related to transmission, supports the sustainable development of the indigenous ethnic groups, and enables the Taiwanese Aborigines with only language but no text to flourish and have a long history.
- (2) Other related information is contained in the CSR report, which has been posted on TECO's website.

<http://teco.com.tw/csr>

3.3.6 Adherence to the Ethical Corporate Management and Measures

The company executes ethical corporate management based on “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”

| Items | Implementation Status | | | Difference with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies |
|---|-----------------------|----|--|---|
| | Yes | No | Summaried Explanation | |
| <p>A. Formulate policy and program for ethical corporate management</p> <p>a. Whether the company has explicitly express the policy and methods of ethical corporate management in its charter and outbound documents and whether the board of directors and management have fulfilled the commitment to the policy of ethical corporate management</p> <p>b. Whether the company has established an assessment mechanism for the risk of dishonesty, regularly analyzes and evaluates business activities with a high risk of dishonesty in the business scope, and accordingly formulates a plan to prevent dishonesty, and at least cover the preventive measures for the conduct of the second paragraph of Article 7 of the "Code of Integrity Management of Listed OTC Companies"</p> | V | | <p>a.</p> <p>i. The company has yet to formulate “Ethical Corporate Management Best Practice Principles” on August 14 in 2014, announced and carried out “The Principle of Antitrust” on October 1 in 2015, amended “Rules of Ethical Conduct to Directors and Managers” on March 20 in 2015. The company’s directors and management have been cautiously fulfilling their duties in compliance with the obligation of attention of a prudent administrator. The company has disclosed Rules of Faithful Operation and Standards for Directors' and Executive Managers' Ethic Behavior at its website. The company in August 2018 prepared an organization chart for Committee on Corporate Governance and Sustainability and later in the month established the committee. The committee consists of more than three directors of whom over half are independent directors. An independent director was elected as meeting convener and chairman who is responsible for evaluating performance in corporate governance and social responsibility as well as faithful operation. There are at least two committee meetings a year and the company's Legal & Compliance Division has to report what has been done on faithful operation.</p> <p>ii The company has invited each director and senior management personnel to sign a statement of integrity from November to December 2019, and actively implement the commitments of the operating policy.</p> <p>b. The company's board of directors decided on November 12, 2019 to amend the company's " Ethical Corporate Management Best Practice Principles ", of which Article 7 has cooperated with the requirements of the competent authority to expressly stipulate that "the company should establish a risk assessment mechanism for dishonesty, regularly analyze and evaluate business activities with a high risk of dishonesty in the business scope, formulate a preventive plan and regularly review the appropriateness and effectiveness of the preventive plan. "And, established the above mechanism in 2020 to periodically analyze and evaluate</p> | No major difference |

| Items | Implementation Status | | | Difference with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" |
|--|-----------------------|----|--|--|
| | Yes | No | Summaried Explanation | |
| c. Does the company specify the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan? | | | <p>Business activities with a high risk of dishonesty in the business scope. In addition, the company formulated the "Code of Conduct and Operational Procedures and Guidelines for Integrity" on November 16, 2017 (amended on March 17, 2020) to prevent dishonest behaviors. It covers the precautionary measures of the second paragraph of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies".</p> <p>c.</p> <p>i. The "Code of Conduct and Integrity Management Procedures and Conduct Guidelines" formulated by the company on November 16, 2017 expressly prohibits employees from accepting gifts from individuals who have business dealings with the company without the permission of their supervisor. Gifts with a value of NT \$ 3,000 or more should be returned or rejected to those who have an interest in their duties, and report to their direct supervisors and inform the company's responsible unit. , Paid acceptance, return to business, donation to charity or other appropriate suggestions</p> <p>ii. On December 23, 2016, the company has set up "Measures for Reporting Cases of Illegal and Unethical or Dishonest Conduct" to establish internal and external reporting channels and handling systems</p> <p>iii. In order to implement the implementation of integrity management, the company also set up the law compliance and legal affairs department attached to the board of directors as the integrity management promotion unit, responsible for promoting the integrity management policy and prevention plan, and implementing it. The audit team of the board of directors irregularly checks and continuously tracks and improves the implementation. In addition, it is regularly reviewed, and in accordance with the decree of the board of directors on March 17, 2020, the board of directors passed a resolution to amend the "Code of Conduct and Integrity Management Procedures and Conduct Guidelines "</p> | |
| <p>B. Materialize ethical corporate management</p> <p>a. Whether the company has evaluated the track record on the integrity of business partners and whether the contracts with business partners include an article on behavioral integrity.</p> | V | | <p>a. The Company's Board of Directors' legal & compliance office also incorporates the terms of good faith into the company's various types of system contracts, requiring the transaction partners to strictly observe integrity. If it does involve dishonest behavior, the company may terminate the contract unconditionally at any time.</p> | No major difference |

| Items | Implementation Status | | | Difference with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" |
|---|-----------------------|----|---|--|
| | Yes | No | Summaried Explanation | |
| <p>b. Does the company set up a special unit under the board of directors to promote the integrity management of the enterprise, and regularly (at least once a year) report to the board of directors on its integrity management policies and plans to prevent dishonest behaviors and supervision and implementation?</p> <p>c. Whether the company has formulated policy preventing conflict of interest and provided, as well as faithfully executed, proper channel for complaints.</p> <p>d. Whether the company has instituted effective accounting system and internal control system for the materialization of the policy of ethical corporate management, which is audited regularly by in-house auditing unit or certified public account under its entrustment.</p> <p>e. Whether the company had held internal or external education and training regularly on ethical corporate management.</p> | | | <p>b. The company has established the Board of Directors' legal & compliance office to promote dedicated units for the formulation of integrity management policies and prevention plans. He regularly reports to the board of directors every six months. He reported the annual work plan and its implementation during the corporate governance and sustainability committee discussion on January 24 and August 7, 2019, as well as report to the board meeting on March 26 and August 24 2019.</p> <p>c. The company has formulated "behavioral guidelines," demanding all staffers not to take benefits and sacrifice the company's interests for personal benefits. When discovering violation of integrity-related regulations, one can make compliant or report, according to the company's "measures for handling reports on illegal, unethical, or dishonest behaviors." For the accused, it also provides the opportunity to express their opinions or appeal.</p> <p>d. To assure the materialization of ethical corporate management, the company has instituted effective accounting system and internal-control system, with in-house auditors checking their compliance regularly.</p> <p>e. The company conducts decree education and advocacy for directors, managers and employees at least once a year. The company has conducted relevant educational announcements on current directors, managers and legal representatives of related companies on 2019.8.14 and 2019.12.24. Course contents include "Shareholder Actionism and Unconsensual M & A", "Money Laundering Prevention and Trade Sanctions" (Sino-US trade war) "and examples of insider trading, etc. Internal education and training courses such as training of new recruits and new supervisors are held regularly every year, and at the same time, it promulgates the " Ethical Corporate Management Best Practice Principles " and "code of conduct and integrity management operation procedures and behavior guidelines" and other standards of integrity management. After proclaiming business integrity at the quarterly meeting (179 participants) on February 18, 2019, the company launched an online test for 9 grades with passing score of 80. As of July 2, 2019, 177</p> | |

| Items | Implementation Status | | | Difference with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" |
|---|-----------------------|----|--|--|
| | Yes | No | Summaried Explanation | |
| | | | <p>candidates should attend, Of the 163 who takes the exams, 162 passed, 92.1% attendance rate, 99.4% pass rate, and an average of 93.2 points. After proclaiming integrity management + part-time work at the quarterly meeting (192 participants) on May 24, 2019, conducted online tests for 7-8 grade staff and passed the standard with passing score of 80. As of October 18, 2019, a total of 568 people at the 7-8 grade; 481 attend the exam (84.68%). 474 people passed (pass rate 98.54%); Held a course on "Introduction to Money Laundering Prevention Laws and Practical Practices in the Prevention of Trade Laundering" on May 31, 2019 (32 participants); On August 21, 2019, the Chungli Factory morning meeting (approximately 700 people participated) promoted integrity management, and conducted a paper test on the Chungli factory area. 818 people attends(93.49%), 815 people passed, passing rate 99.63%; on September 10, 2019, 5-6 grades of the whole company are invited to start online tests. Up to December 12, 2019, a total of 837 people at 5-6 grades, 568 people attends the exam (67.86% attendance rate), and 560 passed (98.6% of the pass rate).</p> | |
| <p>C. Status of the company's reporting system:</p> <p>a. Whether the company has formulated concrete reporting and rewarding system, as well as convenient reporting channel, in addition to designation of specific person handling the reporting.</p> <p>b. Whether the company has instituted standard operating procedure for handling reported items and related confidentiality mechanism.</p> <p>c. Whether the company has adopted measures to protect informants from improper treatment.</p> | V | | <p>a. As part of the company's reporting system, the company has formulated "measures for handling reports on illegal, unethical, or dishonest behaviors," containing ethical norms for staffers, and has instituted reporting e-mail address integrity@teco.com.tw with the audit division</p> <p>b. For Procedures for Handling Cases of Reported Illegal, Unethical or Unfaithful Behavior, Articles 3 and 4 specify channels of reporting and handling procedures while Provision 5 under Articles 4 specifies secrecy mechanism that keeps the reporters or responsible investigators and content of reporting secret to prevent them from unfair treatment or revenge.</p> <p>c. Provision 5 under Articles 4 of Procedures for Handling Cases of Reported Illegal, Unethical or Unfaithful Behavior specifies secrecy mechanism that protects the reporters or responsible investigators and content of reporting from unfair treatment or revenge.</p> | No major difference |
| <p>D. Intensifying information disclosure</p> <p>a. Whether the company has disclosed its "Ethical Corporate Management Best Practices Principles" on its website and the implementation effect.</p> | V | | <p>a. The company has disclosed information related to "Ethical Corporate Management Best Practice Principles" on website, and disclosed the operation situation in year book and CSR Report.</p> | No major difference |

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| E. Should the company formulate own ethical corporate management principles according to "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Company," specify its execution and difference with the principles: The company has already formulated its own ethical corporate management principles and disclosed on the Company's website. There is no major difference between its execution and principles. |
| F. Other key information conducive to the understanding of the company's ethical corporate management (such as review and revision to the company's ethical corporate management): The company materializes ethical corporate management via compliance with Company Law, Securities Exchange Act, and regulations and laws governing listed firms, in addition to forbidding unethical behaviors in business dealings. The company has amended the "Ethical Corporate Management Best Practice Principles" on November 12, 2019; On March 17, 2020, amended the "Code of Conduct and Integrity Management Procedures and Conduct Guidelines" |

3.3.7 Corporate Governance Guidelines and Regulations

The company has instituted "Corporate Governance Best Practice Principles". The document could be accessed "Corporate Governance" on Market Observation Post System (<http://mops.twse.com.tw>) conforming to related regulations.

3.3.8 Other Important Information Regarding Corporate Governance

A. The important information regarding corporate governance has been disclosed on Market Observation Post System (<http://newmops.twse.com.tw>) conforming to related regulations.

B. Advanced studies for directors and supervisors in 2019:

| Title | Name | Date | Organizer | Training Course | Time |
|---------------------------------|---|------------|--|--|-------|
| Chairman | Tung Kuang Investment Co., Ltd. Representative : Chwen-Jy, Chiu | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Managing Director | Tong Kuang Investment Co., Ltd Representative : Chao-Kai, Liu | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Managing Director | Cheng-Tsung, Huang | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Managing Director | Creative Sensor Inc. Representative: Yu-Ren, Huang | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| | | 2019.12.27 | Accounting Research and Development Foundation | Independent Director and Audit Committee Operation Practice | 3 hrs |
| Managing & Independent Director | Wei-Chi, Liu | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Independent Director | Ting-Wong, Cheng | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Independent Director | Jin-Fu, Chang | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Director | Mao-Hsiung, Huang | 2019.4.17 | Securities & Futures Institute | Discussion on Relevant Regulations and Preventive Practices of Insider Trading | 3 hrs |
| | | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3hrs |

| Title | Name | Date | Organizer | Training Course | Time |
|----------|--|------------|---|---|-------|
| Director | Yinge Int. Inv. Co., Ltd Representative : Po-Chih, Huang | 2019.7.17 | Securities & Futures Institute | 2019 Annual Public Announcement Meeting on the Legal Compliance of Listed Companies and Unlisted Cabinet Public Offering Companies | 3 hrs |
| | | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.11.27 | Chunghwa Corporate Governance Association | 【peak】 The 15th International Forum on Corporate Governance-Implementation of Independent Director System and Performance of Independent director' s responsibilities (Afternoon Session) | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Director | Kuang Yuan Industrial Co., Ltd. Representative: Shih-Chien, Yang | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Director | Tung Kuang Investment Co., Ltd. Representative : Hong-Hsiang, Lin | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Director | Yubantec & Co., Ltd. Representative: Tung-Hai, Kao | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.10.8 | Taipei Exchange | ESG investment forum | 3 hrs |
| | | 2019.11.19 | Taiwan Stock Exchange | Publicity meeting for effective use of directors' functions | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Director | Hung Shun Investment Co., Ltd Representative: Tzu-Yi, Kuo | 2019.7.26 | Securities & Future Insitutle | 2019 Annual Public Announcement Meeting on the Legal Compliance of Listed Companies and Unlisted Cabinet Public Offering Companies | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Director | Tong-An Investment Co., Ltd. Representative : Shang-Wei, Kao | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Director | Yung-Hsiang, Chang | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |

C. Advanced studies for managing staffers in 2019:

| Title | Name | Date | Organizer | Traning course | Time |
|----------------------|------------------|------------|---------------------------------------|--|-------|
| Acting President | Chao-Chih, Lien | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Executive Consultant | Hong-Hsiang, Lin | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |

| Title | Name | Date | Organizer | Traning course | Time |
|------------------------------|-------------------|------------|---|---|-------|
| Assistant Vice President | Sung-Pin, Chang | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Assistant Vice President | Chi-Tseng, Peng | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Assistant Vice President | Fei-Yuan, Kao | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Assistant Vice President | Kevin Yeh | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Assistant Vice President | Kuo-Min, Chen | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Assistant Vice President | Hank Horng | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |
| Corporate Governance Officer | Shih-Hsiung Chien | 2019.7.17 | Securities & Futures Institute | 2019 Annual Public Announcement Meeting on the Legal Compliance of Listed Companies and Unlisted Cabinet Public Offering Companies | 3 hrs |
| | | 2019.8.14 | Taiwan M&A and Private Equity Council | "Shareholder activism and unconsensual mergers and acquisitions" | 3 hrs |
| | | 2019.11.27 | Chunghwa Corporate Governance Association | Directors' financial reporting obligations, global institutional investors' active role play in strengthening the corporate governance ecosystem, and references to business judgment rules | 3 hrs |
| | | 2019.12.24 | Taiwan Investors Relation Institute | Money Laundering Prevention and Trade Sanctions (China-US Trade War) | 3 hrs |

D. The situation of resignation in the Company: None

E. Succession planning of board members and important management class:

The structure of the company's board of directors should be based on the company's business development scale and its major shareholders' shareholdings, taking into account practical operational needs. In order to establish a good governance system, the Company has established the "Corporate Governance and Sustainability Committee" on August 13, 2018 to nominate candidates for functional directors and independent directors and strengthen the functions of the board of directors.

The company implements the board diversity policy in accordance with the "Corporate Governance Best Practice Principle". Currently, there are 15 directors (including 3 independent directors) with diverse and complementary industry experience and professional capabilities in finance, finance and accounting. Two of them also serve as the senior management of the company. In the future, the composition structure of the company's board of directors and the background of the members' experience will continue the current structure. The "Board Performance Evaluation Results" of each year will be provided to the "Corporate Governance and Sustainability Committee" as a reference for director nomination and reappointment.

Regarding the succession planning of the board of directors, the company nurtures high-level managers to enter the board of directors to familiarize them with the operation of the board of directors and the business of each unit of the group, and deepens its industrial experience through work rotation. Currently, the Group has many senior management professionals, so the company has a sufficient talent pool to be selected as future directors. In addition to considering diversity, directors who concurrently serve as company managers do not exceed one-third of the number of directors, and will focus on gender equality and possess the knowledge, skills and literacy necessary to perform their duties. The current chairman, Ms. Chwen-Jy, Chiu, joined the TECO management team in 1997. She successively held the positions of finance director, assistant vice president of the home appliance division, vice president and president. She joined the board of directors in 2006 and took over as chairman in 2015.

For the succession planning of important management levels, in addition to inventory and selection of potential successors, it is combined with personal development plans and Mentor counseling and other systems to help them effectively improve their succession ability and shorten the succession time. In designing the training mechanism, arranging potential successors to the board of directors of related companies, as well as mobile phone and online management development courses, the "Tung Yuan College" has been established since 2018, and management elite classes have been established to strengthen its business management and management capabilities including strategic planning, multinational operations, global marketing, innovation management and new economy and other important topics, in order to cultivate the management talents needed in the future (a total of 25 educated trainees from 2018 to 2019). Mr. Chao-Chih, Lien, the current acting president, joined the TECO Group in 2001. He successively led the heavy industry product division, the information electronics business group, the new business promotion center, and the electrification preproduct division. He took over as the acting general manager in 2018.

3.3.9 Internal Control System

Please refer to page 63 of the Chinese annual report.

3.3.10 In the recent year and up to the publication of the annual report, legal penalties for the company and internal staffers, penalties of internal staffers by the company for violation of internal control system and regulation, major defects and improvement status

None

3.3.11 Major Resolutions of Shareholders' Meeting and Board Meetings

A. Major Resolutions of Shareholders' Meeting and Board Meetings in the recent two years

| | |
|------------|--|
| 2019/03/26 | (1)The board of directors resolved to convene 2019 shareholders' meeting on June 14, 2019. (2)The Board of Directors resolved 2018 financial statements with consolidated sales revenue NT\$50,104,927 thousand, EPS 1.59, and plans to pay cash dividend NT\$0.9 per share with the total amount NT\$ 1,770,923 thousand. The related financial reports material would be submitted to 2019 shareholders' meeting. (3) The board of directors approved employees' bonus of NT\$ 255,103 thousand and directors' remuneration of NT\$113,379 thousand in 2018. The above amount will be distributed through cash. There is no difference from the expense amounts in 2018 recognized by the board of directors. |
| 2019/5/13 | The board of directors approved the reduction of the total amount of 35,000,000 shares of treasury shares in accordance with the provisions of Article 28-2 of the Securities Exchange Act. The capital reduction ratio was 1.75%. |
| 2019/5/13 | Board of Directors appoints Shih-Hsiung, Chien as corporate governance officer, effective date is 108/06/01 |
| 2019/5/13 | Submission of 2019 Q1 consolidated financial report to the board of directors, which shows that consolidated operating revenue stood at NT\$11,707,047 thousand in the first quarter of 2019, with earnings per share reaching NT\$0.32. |
| 2019/6/15 | Important resolutions in Annual Shareholders' Meeting (1) Acknowledged 2018 business report and financial statement. (2) Acknowledged 2018 profit distribution, amounting to NT\$0.9 per share for cash dividend payment. (3) Amendmen to Articles of Incorporation (4) Amendment to Procedure of acquisition or disposal of assets |
| 2019/6/15 | The board of directors resolved that the ex-dividend base date was 2019/07/09, a total cash dividend of NT \$ 1,770,923 thousand was issued, and the cash dividend payment date was 2019/07/31 |
| 2019/8/14 | Submission of 2019 Q2 consolidated financial report to the board of directors, which shows that consolidated operating revenue stood at NT\$24,248,557 thousand in the first half of 2019, with earnings per share reaching NT\$0.92. |
| 2020/2/24 | The board of directors resolved to convene 2020 shareholders' meeting on May 11, 2020 |
| 2020/3/17 | (1)The Board of Directors resolved cash dividend NT\$0.99 per share with the total amount NT\$ 1,948,016 thousand and propose to the shareholders' meeting. (2)The Board of Directors resolved 2019 financial statements and submitted to the shareholders' meeting for ratification. (3)The board of directors approved employees' bonus of NT\$ 258,192 thousand and directors' remuneration of NT\$114,752 thousand in 2019. The above amount will be distributed through cash. There is no difference from the expense amounts in 2019 recognized by the board of directors. (4)The board of directors decided to issue the first unsecured ordinary corporate bonds in 2020. The total issuance is capped at NT \$ 5 billion, and the issuance period is based on the principles of five and seven years. (5)The board of directors decided to increase the proposals for the shareholders' meeting (1) Three items in the report: the report on the distribution of cash dividends in 2008, the amendment to the "Corporate Social Responsibility Best Practice principle" and the amendment to the "Code of Conduct and Integrity Operation Procedures and Guidelines" ; (2) Two items for discussion: the amendments to the "Procedures for Lending Funds tp Other Parties" and the amendments to the "Procedure for Endorsement and Guarantee ", and they shall be submitted to the 2020 Annual Shareholders' General Meeting or submitted for resolution |
| 2020/3/31 | (1)The board of directors raises to propose privately placed common shares and preferred shares. The total amount of private placement does not exceed 200 million shares. The selection of applicants is based on the principle of adding value to the company, and the priority for the future operation of the company can directly or indirectly improve the performance of the company. (2)The board of directors decided to increase the proposals for the shareholders' meeting (1) The case of ratification: 2019 profit distribution; (2) The 3 cases of discussion: the amendment of the "Articles of Association", privately placed common shares and preferred shares and capital reduction proposed by PJ Asset management. Each will be separately submitted to the 2020 ordinary shareholders for approval or resolution |
| 2020/4/6 | (1)In line with the recommendation of the securities regulatory authority to amend the private placement case previously announced on 2020/03/31, the board of directors passed the original resolution to separate the private placement case into two privately placed common shares and privately placed preferred shares proposals. The total amount of private equity does not exceed 190 million shares. (2)The board of directors approved amendments to the 2020 regular shareholders' meeting agenda. The revised discussion items were i. amendment to "Procedures for Lending Funds tp Other Parties", ii amendments to the "Procedure for Endorsement and Guarantee", iii. amendment to the Articles of Incorporation, iv. Privately placed preferred shares of Class A and / or Class B and / or Class C (Revised), v. privately placed common shares (revised) and vi. Capital reduction proposed by PJ Asset Management. |
| 2020/4/10 | The board of directors resolved to postpone discussion items of privately placed preferred shares and common shares. The revised discussion items were i. amendment to "Procedures for Lending Funds tp Other Parties", ii amendments to the "Procedure for Endorsement and Guarantee", iii. amendment to the Articles of Incorporation, and iv. Capital reduction proposed by PJ Asset Management. |

B. Implementation of Resolutions made in Annual Shareholders' Meeting on June 14, 2019.

| Number | Resolution | Implementation |
|--------|---|--|
| | Report on treasury share buyback | Treasury share buyback 35,000,000 common stocks for the purpose of safeguarding company credit and shareholders' rights. The Ministry of Economic Affairs approved the cancellation of treasury stocks capital reduction changes and registered it in the letter No. 10801066450 of Shushangzi on 2019/06/10 |
| 1 | Acknowledged of the 2019 Business Report and Financial Statements | ※ The proposal was approved by the participating Shareholders with 90.45% approved percentage. |
| 2 | Acknowledged of cash dividend payout of NT\$0.9 per share for the distribution of 2018 profits. | 1. The proposal was approved by the participating Shareholders with 90.76% approved percentage. 2. Ex-Dividend Trading Date: 2019/07/09. Cash Dividend Payout date: 2019/07/31. |
| 3 | Approval of Amendment to Articles of Incorporation | The proposal was approved by the participating Shareholders with 89.55% approved percentage. |
| 4 | Approval of Amendment to Procedure of acquisition or disposal of assets | The proposal was approved by the participating Shareholders with 89.55% approved percentage. |

3.3.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

None

3.3.13 Resignation or Dismissal of Personnel Involved in Preparation of Financial Reports

None

3.4 Information on CPA fee

3.4.1 Accountant Information

| Name of accounting firm | CPA names | | Auditing period | Note |
|---------------------------------|-------------|------------------|-----------------|------|
| Pricewaterhouse Coopers, Taiwan | Wu, Yu-Lung | Chou, Chien-Hung | 2019 | |

3.4.2 Table of Brackets for CPA Fees

| Fee item | | Auditing fee | Non-auditing fee (Note) | Total |
|--------------|----------------------|--------------|-------------------------|-------|
| Fee brackets | | | | |
| 1 | Lower than NT\$2 M. | | V | V |
| 2 | NT\$2-4 M. | | | |
| 3 | NT\$4-6 M. | | | |
| 4 | NT\$6-8 M. | | | |
| 5 | NT\$8-10 M. | | | |
| 6 | NT\$10 M. and higher | V | | V |

Note: NT\$1,050 thousand of non-auditing public expense, including certification expense for auditing business income tax return and English-language translation fee for financial report and consolidated financial report.

3.4.3 Non-inspection fees for CPAs, accounting firms, and its affiliates account for over one quarter of inspection fee: Nil

3.4.4 Replacement of accounting firm and auditing fee for the replacement year is lower than amount in the year prior to the replacement: Nil

3.4.5 Auditing fee decreases by over 15% from the previous year: Nil

3.5 Information on replacement of CPA: Not applicable

3.6 Information on service of the company's chairman, president, and financial or accounting managers at the accounting firm or its affiliates: Nil

3.7 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

3.7.1 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

3.7.1.1 Changes in Shareholding of Directors

Unit: Share

| Title | Name | 2019 | | Mar. 31, 2020 | |
|---------------------------------|--|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Chairman | Tong Kuang Investment Co., Ltd. Representative: Chwen-Jy, Chiu | 0 | (492,088) | 1,800,000 | 0 |
| | | 0 | 0 | 46,143 | 0 |
| Managing Director | Tong Ho Gloabal Investment Co., Ltd. Representative : Chao-Kai, Liu | 0 | 0 | 0 | 365,000 |
| | | 0 | 0 | 0 | 0 |
| Managing Director | Cheng-Tsung, Huang | 0 | 0 | 0 | 0 |
| Managing Director | Creative Sensor Inc. Representative: Yu-Ren, Huang | 0 | 0 | 0 | 0 |
| | | 0 | 0 | 0 | 0 |
| Managing & Independent Director | Wei-Chi, Liu | 0 | 0 | 0 | 0 |
| Independent Director | Jin-Fun, Chang | 0 | 0 | 0 | 0 |
| Independent Director | Ting-Wong, Cheng | 0 | 0 | 0 | 0 |
| Director | Mao-Hsiung, Huang | 0 | 0 | 0 | 0 |
| Director | Yinge Int. Inv. Co.,Ltd Representative : Po-Chih, Huang | 4,375,098 | 0 | 0 | 0 |
| | | (4,270,085) | 0 | 0 | 0 |
| Director | Hung Shun Investment Co., Ltd Representative:Tzu-Yi, Kuo | 0 | 0 | 500,000 | 0 |
| | | 0 | 0 | 0 | 0 |

| Title | Name | 2019 | | Mar. 31, 2020 | |
|----------|---|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Director | Tong-An Investment Co., Ltd. Representative : Shang-Wei, Kao | 0 | 0 | 0 | (16,561,052) |
| | | 0 | 0 | 0 | 0 |
| Director | Kuang Yuan Industrial Co., Ltd. Representative: Shih-Chien, Yang | 0 | 0 | 4,800,000 | 3,500,000 |
| | | 0 | 0 | 0 | 0 |
| Director | Tong Kuang Investment Co., Ltd. Representative: Hong-Hsiang, Lin | 0 | (492,088) | 1,800,000 | 0 |
| | | 0 | 0 | 20,920 | 0 |
| Director | Yubantec & Co., Ltd. Representative: Tung-Hai, Kao | 0 | 0 | 6,600,000 | 8,000,000 |
| | | 0 | 0 | 0 | 0 |
| Director | Yung-Hsiang, Chang | 0 | 0 | 0 | 0 |

3.7.1.2 Changes in Shareholding of Managers

Unit: Share

| Title | Name | 2019 | | Mar. 31, 2020 | |
|----------------------|---------------------------|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Acting President | Chao-Chi, Lien | 0 | 0 | 46,143 | 0 |
| Executive Consultant | Hong-Hsiang, Lin | 0 | 0 | 20,920 | 0 |
| Management | Sheng-chyuan, Lin | 706 | 0 | 30,938 | 0 |
| Management | Sung-Pin, Chang | (5,000) | 0 | 46,143 | 0 |
| Management | Chi-Tseng, Peng | 0 | 0 | 0 | 0 |
| Management | Fei-Yuan, Kao | 0 | 0 | 42,412 | 0 |
| Management | Kevin Yeh | 0 | 0 | 46,143 | 0 |
| Management | Kuo-Min, Chen | 0 | 0 | 0 | 0 |
| Management | Hank, Horng | 0 | 0 | 13,316 | 0 |
| Management | Shih hsiung, Chien (Note) | 0 | 0 | 36,932 | 0 |

Note: The board of directors has been appointed as the corporate governance officer since June 1, 2019 and has been registered as a company manager

3.7.1.3 Changes in Shareholding of Major Shareholders

Unit: Share

| Title | Name | 2019 | | Mar. 31, 2020 | |
|-------------------|-------------------------------------|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Major Shareholder | PJ Asset management Co., Ltd.(Note) | N/A | N/A | 79,381,000 | 0 |

Note: Became a major shareholder since Mar., 11, 2020

3.7.2 Shares Transfer with Related Parties

| Name | Reason of Transfer | Date of Transaction | Transferee | Relationship between Transferee and the Company, Directors, Supervisors and Shareholders with more than 10% shareholding | Shares | Transaction Price (NTD) |
|----------------|--------------------------------------|---------------------|---------------------------|--|-----------|-------------------------|
| Po-Chih, Huang | Disposal (exchange shares for price) | 2019.1.23 | YINGR Int. Inv. Co., Ltd. | Director holds it under the name of third party | 4,270,085 | 18.1 |

3.7.3 Shares Pledged with Related Parties

| Name | Reason of Pledge | Date of Transaction | Transferee | Relationship between Transferee and the Company, Directors, Supervisors and Shareholders with more than 10% shareholding | Shares | Shares holding % | Shares Pledged % | Pledged Amount |
|----------------|------------------|---------------------|------------|--|--------|------------------|------------------|----------------|
| Not Applicable | | | | | | | | |

3.8 Information Disclosing the Relationship between any of the Company's Top Ten Shareholders

March 31, 2020

| Name | Shareholding | | Spouse & Minor | | Shareholding by Nominee Arrangement | | The relationship between any of the Company's Top Ten Share holders | | Remarks |
|---|--------------|------|----------------|---|-------------------------------------|---|---|----------|---------|
| | Shares | % | Shares | % | Shares | % | Name | Relation | |
| PJ Asset Management | 194,116,000 | 9.87 | 0 | - | 0 | - | None | - | - |
| Jaryuan Investment Co., Ltd. | 127,194,000 | 6.46 | | | | | | | |
| Silchester International Investors International Value Equity Trust | 77,896,000 | 3.96 | 0 | - | 0 | - | None | - | - |
| WGI Emerging Markets Smaller Companies Fund, LLC | 39,676,000 | 2.02 | 0 | - | 0 | - | None | - | - |
| Silchester International Investors International Value Equity Group Trust | 39,186,000 | 1.99 | 0 | - | 0 | - | None | - | - |
| Tong Kuang Investment Co., Ltd. | 32,141,364 | 1.63 | 0 | - | 0 | - | None | - | - |
| Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds | 31,599,034 | 1.61 | 0 | - | 0 | - | None | - | - |
| Chunghwa Post Co., Ltd. | 31,561,000 | 1.60 | 0 | - | 0 | - | None | - | - |
| Norges Bank | 28,088,193 | 1.43 | 0 | - | 0 | - | None | - | - |
| VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS | 27,144,000 | 1.38 | 0 | - | 0 | - | None | - | - |

3.9 Long-Term Investments Ownership

December 31, 2019

| Investee | Ownership by TECO | | Direct / Indirect Ownership by Directors, Supervisors and Management | | Total Investment | |
|---|-------------------|---------|--|--------|------------------|---------|
| | Shares | % | Shares | % | Shares | % |
| Tong Dai Co., Ltd. | 6,615,234 | 83.53% | 0 | 0.00% | 6,615,234 | 83.53% |
| TECO International Investment Co., Ltd. | 67,537,429 | 100.00% | 0 | 0.00% | 67,537,429 | 100.00% |
| TECO Holding, USA | 1,680 | 100.00% | 0 | 0.00% | 1,680 | 100.00% |
| TECO Electric & Machinery Pte Ltd. Singapore | 7,200,000 | 90.00% | 800,000 | 10.00% | 8,000,000 | 100.00% |
| TECO Electric Europe Ltd. | 69 | 100.00% | 0 | 0.00% | 69 | 100.00% |
| Tong An Assets Management & Development Co., Ltd. | 388,423,711 | 100.00% | 0 | 0.00% | 388,423,711 | 100.00% |
| Appliance (HK) Ltd. | 1,499,999 | 99.99% | 0 | 0.00% | 1,499,999 | 99.99% |
| Tong An Investment Co., Ltd. | 495,724,243 | 99.60% | 1,670,084 | 0.40% | 497,394,327 | 100.00% |
| TECO Electro Devices Co., Ltd. | 10,770,864 | 62.57% | 371,324 | 1.51% | 11,142,188 | 64.08% |
| Tecnos International Consultant Co., Ltd. | 6,044,716 | 57.52% | 1,402,134 | 16.02% | 7,446,850 | 73.54% |
| UVG Investment Co., Ltd. | 195,416,844 | 100.00% | 0 | 0.00% | 195,416,844 | 100.00% |
| Information Technology Total Services Co., Ltd. | 11,467,248 | 41.97% | 1,923,503 | 7.04% | 13,390,751 | 49.01% |
| Tesen Electric & Machinery Co., Ltd. | 20,000,000 | 100.00% | 0 | 0.00% | 20,000,000 | 100.00% |
| GD TECO Taiwan Co., Ltd. | 6,397,434 | 100.00% | 0 | 0.00% | 6,397,434 | 100.00% |
| Taitec Technology CO.,LTD. | 950,000 | 95.00% | 0 | 0.00% | 950,000 | 95.00% |
| Yatec Engineering Corp. | 7,799,996 | 64.95% | 0 | 0.00% | 7,799,996 | 64.95% |
| Taian (Subic) Electric Co., Inc. | 17,131,155 | 76.70% | 0 | 0.00% | 17,131,155 | 76.70% |
| Taian (Malaysia) Electric Sdn. Bhd. | 13,113,235 | 66.85% | 0 | 0.00% | 13,113,235 | 66.85% |
| An Tai International Investment Co., Ltd. | 32,653,581 | 100.00% | 0 | 0.00% | 32,653,581 | 100.00% |
| Micropac (BVI) | 14,883,591 | 100.00% | 0 | 0.00% | 14,883,591 | 100.00% |
| Taian-Etacom Technology Co., Ltd. | 7,033,000 | 84.73% | 0 | 0.00% | 7,033,000 | 84.73% |
| Taian Electric Co., Ltd. | 100,000 | 100.00% | 0 | 0.00% | 100,000 | 100.00% |
| Tecom | 200,301,025 | 63.52% | 0 | 0.00% | 200,301,025 | 63.52% |
| E-Joy International Co., Ltd. | 9,500,000 | 93.60% | 497,350 | 4.90% | 9,997,350 | 98.50% |
| A-Ok Technical Co., Ltd. | 1,950,000 | 86.67% | 0 | 0.00% | 1,950,000 | 86.67% |
| TECO Technology (Vietnam) Co., Ltd. | 29,013,668 | 100.00% | 0 | 0.00% | 29,013,668 | 100.00% |
| TECO (Philippines) 3C & Appliances, Inc. | 2,604,000 | 60.00% | 0 | 0.00% | 2,604,000 | 60.00% |
| An-Sheng Travel Co., Ltd. | 480,000 | 16.00% | 2,400,000 | 80.00% | 2,880,000 | 96.00% |
| Taiwan Pelican Express Co., Ltd. | 24,121,700 | 25.27% | 6,570,940 | 6.88% | 30,692,640 | 32.15% |
| Eagle Holding Co. | 1 | 100.00% | 0 | 0.00% | 1 | 100.00% |
| Century Development | 100,592,884 | 28.67% | 73,736,289 | 24.08% | 174,329,173 | 52.75% |
| Teco Sun Energy | 2,100,000 | 30.00% | 2,100,000 | 30.00% | 4,200,000 | 60.00% |
| Temico Inteernational Pte. Ltd. | 348,000 | 60.00% | 0 | 0.00% | 348,000 | 60.00% |
| TECO EV Philippines Corporation | 53,999,995 | 100.00% | 0 | 0.00% | 53,999,995 | 100.00% |

3.10 Procedure of Material Information: The company has stipulated Rules of Anti Insider Transaction in internal control system, and announced to the employees.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Type of Stock

March 31, 2020

| Share Type | Authorized Capital | | | Remarks |
|--------------|--------------------|------------------|---------------|---------|
| | Issued Shares | Un-issued Shares | Total Shares | |
| Common Share | 1,967,692,886 | 1,062,857,114 | 3,030,550,000 | - |

4.1.2 Status of Shareholders

March 31, 2020

| Item | Government Agencies | Financial Institutions | Other Juridical Person | Domestic Natural Persons | Foreign Institutions & Natural Persons | Total |
|------------------------|---------------------|------------------------|------------------------|--------------------------|--|---------------|
| Number of Shareholders | 3 | 64 | 245 | 80,402 | 590 | 81,304 |
| Shareholding (shares) | 14,342,326 | 45,781,153 | 570,991,331 | 563,142,763 | 773,435,313 | 1,967,692,886 |
| Percentage | 0.73% | 2.32 % | 29.02 % | 28.62 % | 39.31 % | 100.00% |

4.1.3 Shareholding Distribution Status

The par value for each share is NT\$10

March 31, 2020

| Class of Shareholding (Unit : Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|--------------------------------------|------------------------|-----------------------|------------|
| 1 ~ 999 | 40,659 | 8,767,227 | 0.45% |
| 1,000 ~ 5,000 | 27,751 | 63,040,965 | 3.20% |
| 5,001 ~ 10,000 | 5,976 | 45,419,088 | 2.31% |
| 10,001 ~ 15,000 | 2,015 | 24,963,128 | 1.27% |
| 15,001 ~ 20,000 | 1,178 | 21,340,078 | 1.08% |
| 20,001 ~ 30,000 | 1,200 | 29,913,097 | 1.52% |
| 30,001 ~ 40,000 | 512 | 17,964,325 | 0.91% |
| 40,001 ~ 50,000 | 395 | 18,031,394 | 0.92% |
| 50,001 ~ 100,000 | 710 | 50,820,673 | 2.58% |
| 100,001 ~ 200,000 | 336 | 47,737,292 | 2.43% |
| 200,001 ~ 400,000 | 206 | 58,223,125 | 2.96% |
| 400,001 ~ 600,000 | 80 | 39,306,868 | 2.00% |
| 600,001 ~ 800,000 | 56 | 38,988,868 | 1.98% |
| 800,001 ~ 1,000,000 | 31 | 27,500,592 | 1.40% |
| 1,000,001 or over | 199 | 1,475,676,166 | 74.99% |
| Total | 81,304 | 1,967,692,886 | 100.00% |

4.1.4 List of Major Shareholders

| Shareholder's Name | Shares | Percentage |
|---|-------------|------------|
| PJ Asset Management | 194,116,000 | 9.87% |
| Jaryuan Investment Co., Ltd. | 127,194,000 | 6.46% |
| Silchester International Investors International Value Equity Trust | 77,896,000 | 3.96% |
| WGI Emerging Markets Smaller Companies Fund, LLC | 39,676,000 | 2.02% |
| Silchester International Investors International Value Equity Group Trust | 39,186,000 | 1.99% |
| Tong Kuang Investment Co., Ltd. | 32,141,364 | 1.63% |
| Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds | 31,599,034 | 1.61% |
| Chunghwa Post Co., Ltd. | 31,561,000 | 1.60% |
| Norges Bank | 28,088,193 | 1.43% |
| VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS | 27,144,000 | 1.38% |

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

| Item | 2018 | 2019 | March 31, 2020 |
|---|-----------|-----------|----------------|
| Market Price per Share (Note 3) | | | |
| Highest Market Price | 29.15 | 27.65 | 27.90 |
| Lowest Market Price | 16.6 | 16.95 | 23.00 |
| Average Market Price | 22.64 | 23.21 | 25.80 |
| Net Worth per Share | | | |
| Before Distribution | 27.11 | 28.82 | - |
| After Distribution | 26.21 | 27.83 | - |
| Earnings per Share | | | |
| Weighted Average Shares (thousand shares) | 1,980,250 | 1,949,947 | - |
| Earnings Per Share | 1.59 | 1.65 | - |
| Dividends per Share | | | |
| Cash Dividends | 0.9 | 0.99 | - |
| Stock Dividends | | | |
| • Dividends from Retained Earnings | 0 | 0 | - |
| • Dividends from Capital Surplus | 0 | 0 | 0 |
| Accumulated Undistributed Dividends | 0 | 0 | 0 |
| Return on Investment | | | |
| Price / Earnings Ratio (Note 4) | 14.24 | 14.07 | - |
| Price / Dividend Ratio (Note 5) | 25.16 | 23.44 | - |
| Cash Dividend Yield Rate (Note 6) | 3.98% | 4.27% | - |

Note 1: List the highest and lowest market price in each year and calculate average market price by total trading volume/total trading shares

Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 5: No audited numbers available till the print date of the annual report.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

TECO deals in a line of business characterized by steady growth, but many of its investees have yet to take off. Therefore, its distribution of earnings must take into account the need for further expansion and more reinvestments going forward. After legal and special reserves are set aside. In principle, 80% of the remainder and retained earnings from the previous year will be drawn upon as dividend payments to shareholders. Of all dividend payments, cash generally accounts for 50% but must not run below 5%

B. Proposed Distribution of Dividend

Cash dividend of NT\$0.99 per share.

4.1.7 Impact on Company's business performance, EPS and ROI from the stock grant proposed by Shareholders Meeting:

Not applicable.

4.1.8 Employee and Directors' Remuneration

A. The company should allocate 1%-10% of profit for employee remuneration based upon its profit in a given year; less than 5% for the directors.

B. Estimate of Employee Remuneration and Directors' Remuneration

a. Foundation of estimation

1. Amount of net income
2. Regulations in Article of Corporation
3. Historical record of distribution

b. Foundation of share calculation for stock dividend: Not Applicable

c. No difference between total amount paid and number of estimation

C. Profit Distribution of Year 2019 Approved in Board of Directors Meeting for Employee and Directors' Remuneration

a. Recommended Distribution of Employee and Directors' Remuneration:

| | (NT\$ thousand) |
|---|-----------------|
| Employee Bonus – in Cash | \$ 258,192 |
| Employee Bonus – in Stock | 0 |
| Directors' Remuneration | <u>114,752</u> |
| No difference from the number of estimation | |

b. Ratio of Recommended Employee Stock Bonus to Capitalization of Earnings:

Not applicable

c. Recounted EPS after Recommended Distribution of Employee Bonus and Directors' and Supervisors' Remuneration: (NT\$ thousands)

Not applicable

D. Information of 2016 Earnings Set Aside to Employee Bonus and Directors' and Supervisors' Remuneration:

Unit : NT\$ thousand

| | Amount recognized in the previous year | Amount recommended by the Board of Directors | Amount resolved by the Shareholders' Meeting |
|--------------------------------|--|--|--|
| Employee Bonus - Cash | 255,103 | 255,103 | 255,103 |
| Directors' Remuneration – Cash | 113,379 | 113,379 | 113,379 |
| Total | 368,482 | 368,482 | 368,482 |

The actual distribution of employee bonus and directors' and supervisors' remuneration above is parallel with the recommended resolution of the Board of Directors.

4.1.9 Buyback of Treasury Stock

| Batch of Buyback | 16 th |
|---|--|
| Purpose | Maintain the Company's credibility and shareholders' benefit |
| Period | 2019/1/3~2019/2/22 |
| Price Range | 19.60-19.75 |
| Type and Quantity bought back | (Common shares) 35,000 |
| Value bought back | 675,849 |
| Quantity bought back to expected quantity buyback (%) | 100 |
| Quantity written off and transferred | 35,000 |
| Cumulative shareholdings | 0 |
| Cumulative shareholdings to total issued shares (%) | 0% |

4.2 Corporate Bonds

4.2.1 Issuance of Corporate Bonds

| Type of Corporate Bond | 1 st Unsecured Ordinary Corporate Bonds in 2015 | 1 st Unsecured Ordinary Corporate Bonds in 2017 |
|---|--|--|
| Issue date | 2015/06/18 | 2015/09/15 |
| Par value | NT\$ 1,000,000 | NT\$ 1,000,000 |
| Issue and Trading Place | Domestic | Domestic |
| Issue Price | According to face amount | According to face amount |
| Total Amount | NT\$ 3 billion | NT\$ 1 billion |
| Interest Rate | 1.45% | 1.02% |
| Duration | 5 years, Expiration Date: 2019/06/18 | 5 years, Expiration Date: 2021/09/15 |
| Assurance Institution | None | None |
| Assignee | Hua Nan Commercial Bank Ltd. | Taishin International Bank Ltd. |
| Underwriting Institution | None | Yuanta Securities |
| Signed Lawyer | Handsome Attorneys-at-Law Ya-Wen Chiu | Handsome Attorneys-at-Law Ya-Wen Chiu |
| Signer Accountants | PricewaterhouseCoopers, Taiwan Audrey Tseng Dexter Chang | PricewaterhouseCoopers, Taiwan Wu, Yu-Lung Chou, Chien-Hung |
| Repayment | Accrual Bond | Accrual Bond |
| Outstanding Amount | NTD\$ 3 billion | NTD\$ 1 billion |
| Redemption or Advanced Repayment | N/A | N/A |
| Restrictive Clauses | N/A | N/A |
| Credit Rating Institution, Credit Rating Date and the Outcome of the Rating | Taiwan Ratings Rating Date: 2015/2/16 Issuer Rating: twA+ Issue Rating: N/A | Taiwan Ratings Rating Date: 2017/3/30 Issuer Rating: twA+ Issue Rating: N/A |
| Others | None | None |
| | None | None |
| Shares Dilution & Influence on Stockholders' Equity | None | None |
| Entrust Institution of Exchange Object | None | None |

4.2.2 Information of the Convertible Bond

None

4.2.3 Information of Shelf Registration Corporate Bond

None

4.2.4 Equity warrant bonds

None

4.3 Equity Warrant Preferred Stock

None

4.4 Preferred Shares

None

4.5 Global Depositary Shares

None

4.6 Employee Stock Options**4.6.1 Issuance of Employee Stock Options**

None

4.6.2 List of Executives Receiving Employee Stock Options and the Top 10 Employees with Options Valued in Excess of NT\$30 Million

None

4.6.3 Status on Restricted Share Award

None

4.6.4 List of Executives and Top 10 Employees Receiving Restrctied Share Award

None

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions

None

4.8 Financing Plans and Implementation

None

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Business Scope

| Business Scope | Sales % |
|---------------------|---------|
| Industrial Products | 62% |
| Home Appliances | 11% |
| Construction | 7% |
| Others | 20% |
| Total | 100% |

B. Products and service nowadays

a. Industrial Products Business

- Medium to large voltage motor (125-60,000 HP)
- Low voltage permanent-magnet motor (5-150HP) & Induction motor (1/4-500HP)
- Motor for electric vehicle(1-270 HP)
- Gear reducer
- Medium to large voltage inverter (200-12,000HP)
- Low voltage inverter (0.25-800HP)
- Ultra high power density general purpose induction motor
- Vessel motor
- Explosion proof motor
- AC SVO
- Motion control and Programmable Logic Controller (PLC)
- Human Machine Interface (HMI)

b. Automation and Intelligent System

- Service robot system integrated products
- Joint system of Cobot
- System integration for robot
- AGV (automated guided vehicle) smart platform and key components
- PCS (Power Conditioning System)
- Motion control system
- MHm Diagnostic system
- Industrial Ethernet
- 5G IOT Controller
- Production line and warehouse handling and receiving robot
- Smart mobile platform transportation tool factory application
- Modularized data integration of logistics transportation

c. Home appliance and air conditioner

- Air-conditioning (air conditioner, chiller, energy saving system solution)
- Air conditioning engineering (provide project management, design, construction and maintenance services)
- Large size home appliance (fridge, washer, TV)
- Small size home appliance (inverter DC fan, air purifier, vacuum, blender, microwave, oven)

d. Energy& Engineering and equipment

- Electrical and mechanical engineering (provide project management, design, procurement, construction and maintenance service), including the construction of IDC, renewable energy (including offshore wind power) and energy storage, comprehensive development projects, civic engineering and traffic engineering, medical biotechnology and factory buildings, etc
- Electric equipment (switchboard, generator set, power distribution equipment, design and construction service for energy distribution system)
- Appliance products (electromagnetic switches, non-fuse circuit breakers, leakage circuit breakers, electronics protection relay, etc.)

e. Other

- Electric vehicle
- Intelligent motor electromechanical monitoring system
- E-House pre-installed electrical room
- Integrated fire pump solution
- Self-service vending machines and smart home delivery cabinets and smart storage cabinets
- Energy saving and intelligent supervisor service for air quality

C. New products development

a. Industrial Products Business:

High Power Density general purpose Induction Motor, Power plant and water resources special vertical circulating water pump high pole number semi-dense large motor, medium voltage Exd explosion-proof motors, offshore wind power technology, steel plate motor for the new generation of wind and hydraulic machines, high torque permanent magnet motor, high speed permanent-magnet motor and drive, synchronous reluctance high efficiency motor products, electronically controlled motors for air conditioning, CNS IE3 Exd explosion-proof motors, digital motor products

b. Home-appliances business:

In line with the core values of "energy conservation, emission reduction, intelligence, and automation" for new product development, the home appliances business division has developed entire-range air conditioners and fully smart home appliances, offer complete solutions for cloud-end applications. Combined with the trend of digital transformation, we launched customized air-conditioning products. Consumers can directly purchase their own customized products such as appearance and compressors on the website, and launch exclusive patented modular air-conditioning plug-in cleaning modules to create wisdom Healthy home. Integrate smart communication architecture and join TaiSEIA technology development to establish smart networking modules to achieve remote monitoring of home appliances. Provide the best ambient air management. In the establishment of the energy information system (EIS), through the combination of distributed processing controllers, graphic control software and the network, the optimal power demand control operation management for energy-consuming equipment is done. Applied to social care, public construction and BEMS, HEMS to achieve the goal of low-carbon society. Other projects underway:

- I. All variable-frequency home appliance attain the government's grade-1 CSPF in air-conditioning seasonal performance factor and employs high-performance energy-saving R32 refrigerant, enhancing performance and lowering carbon emission, to contribute to slowdown of global warming. Production of energy-saving and environment-friendly products via clean manufacturing and the use of green materials for continuing contribution to energy conservation and emission reduction. Using big data analysis and AI intelligence to provide energy management and preventive maintenance diagnosis and other services, provide the best energy saving and early warning and other solutions
- II. In order to meet the new MEPS (minimum energy performance standard) implemented by the government in 2018 and retain their grade level, existing refrigerators with first-grade performance must enhance their performance by 39%. TECO invests in molds for home appliances and develop

energy-conserving refrigerators with performance exceeding the new grade-1 standard, as well as brand new appearance and functions quite different from Japanese brands. One model, a 600 liter/three-door refrigerator, boasting variable temperature, has been eligible for government subsidy after passing screening by Bureau of Energy, the Ministry of Economic Affairs, in Dec. 2017. In 2019, the country's first self-made inverter commercial 1000L refrigerator was launched, and the patented technology for freezing and refrigeration switching of vegetable and fruit rooms was launched, which was widely praised.

- III. R&D on VRF (variable refrigerant flow) system for parallel-connection variable-frequency external unit, with entire series conforming to grade-1 CSPF energy performance, meeting the demands of green buildings and high-class business offices.
 - IV. Research and development of 350RT magnetic levitation centrifugal ice water machine has obtained Keelung Port Authority West Third Warehouse Replacement Bid Case, which is the best example for future promotion. And provide HVAC (heating, ventilation and air conditioning) system solutions, connecting multiple hosts into a centralized control system, the unit controller of the host for single control.
 - V. Developed 15RT and 20RT DC frequency conversion water-cooled box machines, becoming the only model in the industry that achieves CSPF level 1 energy efficiency, and has won the Taiwan Excellence Award. It is the best choice for small and medium-sized central air conditioners such as factories and restaurants.
 - VI. Rollout of IPLV (integrated part load value) chiller, centralized control of main engines via central controller, automatic adjustment and control system capable of integrating efficiency curve of main engines, automatic adjustment of the operating units of main engines according to load of the system, coordination of the launch and stoppage of cooling tower and chiller, materialization of system optimization, and attainment of optimized IPLV operating efficiency of the system. In addition to high energy performance of product, provide check of product health and one-stop integrated service for air conditioning systems via various management and control systems, including visualized power-consumption management and monitoring of indoor air quality.
- d. The Energy & Engineering business division is to integrate the diversified industrial products within the group and maximize the group's overall effectiveness. The project is geared towards the development of niche markets such as renewable energy, energy storage, special cases, etc. that support the Group's strong products. In addition, we continue to invest in the development of offshore wind power, microgrid, internet data center (IDC), smart building, solar power generation and energy storage, deepen and expand domestic and overseas markets. It is expected in the future that there are more projects from large enterprise self-built information computer room case, telecommunication company computer room case and overseas information computer room, etc. Now Teco has participated in projects such as offshore wind farm land substation project, solar photovoltaic power generation system, energy storage micro-grid system, etc. It will continue to accumulate actual results and actively expand the development of this business on this basis. Now TECO strives to promote the expansion of smart switchboards and appliances. In addition to improving industrial energy conservation and intelligence, it also adds growth momentum to TECO Energy & Engineering and actively integrates group resources, focuses on business opportunities in the energy industry, and participates in forward-looking plans to explore new opportunities for energy conservation, energy storage, and energy creation.
- e. The Automation and Intelligent System Division mainly provides forward-looking automation industry application services for the development of TECO automation and intelligent system products. That covers servo drive technology, PLC, HMI human-machine interface, servo motor and robot system integration products, and tension control of the high-end servo market, smart phone glass grinding machine, high-speed lathe spindle industry, assist customers to introduce automation and intelligent solutions to meet the needs of manufacturers' production line flexibility, energy saving, and high efficiency, and increase industrial production capacity and efficiency. The new inverter series has been successfully applied to industrial systems such as industrial air supply and exhaust equipment, factory-run air conditioning systems, metal processing, vertical transportation and so on. New products planned to be developed: the networking function of industrial control products combined with the connection of smart devices, a new generation of

compact AC servo drive series JSDL2-C (CanOpen) /-E (EtherCAT), the compact DC servo drive of the application field in mobile vehicles / medical equipment / robotic arm etc. In response to the customer's demand for productivity 4.0, AGV (Intelligent Mobile Platform) as well as collaborative robots being the mainstream of factory automation, TECO uses AGV autonomous positioning and navigation as the foundation of mobile robot development, serializes its products and provides customized requirements. In the development strategy of robots, it develops collaborative robotic arm joint modules to integrate the needs of industrial and commercial industries, making the development of smart automatic industry more flexible.

5.1.2 Industry Overview

A. Industrial Product Business

Motors are widely used and are the most common source of power. It has become a stable growth industrial product, and it has gradually formed the top ten leading manufacturers of the big Evergrande. However, according to research, about 50% of global power generation is directly or indirectly consumed by motors. Therefore, under the trend of energy saving and carbon reduction, governments around the world have set specifications for motor efficiency and gradually replaced low-efficiency products with high-efficiency motors. Therefore, since 2015, due to the mandatory demand of regulations, it is expected that there will be a wave of replacements worldwide. Not only the demand for efficiency improvement, but also in response to the demand for networking and manufacturing reforms, in the process of Global Industry 4.0, the key technologies invested by various advanced manufacturing companies such as ABB and Siemens have similarities. From the analysis of big data to the Industrial Internet of Things (IIoT) and artificial intelligence to break through the current manufacturing bottleneck and provide more complete software plus hardware engineering solutions. It mostly expands its product portfolio and services through mergers and acquisitions to increase the added value of key equipment components such as motors. TECO also provides solutions to monitor plant equipment through the Internet of Things in conjunction with its affiliated companies, to achieve machine predictive maintenance, production line mechanical and electrical energy saving and other functions. It can also provide interactive diagnosis and intelligent automatic dispatch. In response to Industry 4.0, we provide customers with one-stop services, including the key components of power systems such as motors, inverters, and reducers that are required by general factories, which can be tailored for customer plants and upgraded to smart factories. In addition, the development of automotive electric motors has also become the target of attention of global motor manufacturers, as countries and automakers around the world have announced the end of production schedules for pure oil vehicles. With the rise of green energy, TECO is not absent. From large generator technology to small yaw motor, TECO actively invests in and ranks among the suppliers of offshore wind turbines through its excellent design and manufacturing technology of rotating electrical machines.

In terms of system automation, due to energy saving and carbon reduction, green environmental protection and other world development trends, and the global industrial development of automated production as the mainstream trend, we will combine the advantages of motor and inverter research and development to provide system integration solutions to supply high-efficiency, energy-saving and the products requiring system control accuracy are the focus of the development of the electric control business. Under the global trend towards industry 4.0 production: the supply of products that increase efficiency, save energy and require control accuracy of mechanical systems is the focus of the electronic control business. The application of electronic control products in industrial automation can reduce manpower and improve power efficiency. In software, we add more high-end inverter function, such as permanent magnet motor vector control, PTC motor overheat protection, SLV vector control, static motor adjustment, intelligent OVP overvoltage suppression, automatic torque compensation, and built-in BACNet communication protocol; in hardware, we add high-speed communication function, remote monitoring function, safe torque off (STO) function in hardware, and improve communication anti-noise capability. Combined with the enhancement of the above-mentioned hardware and software functions, in addition to showing its talents in the application field of factory automation, it has also expanded its excellent control technology to commercial and home use. And its built-in BACNet communication function, in the building air conditioning, energy-saving automation, security monitoring and home automation applications, really provides customers with high value-added

solutions. The new generation of servo products combined with EtherCAT communication products will be promoted in the new application of robot arms. The development of electronic control products in response to the needs of automation, the increase in safety standards, and the new generation of products need to meet the needs of various markets. In addition to the application of AC servo products in factory applications of Industry 4.0 in recent years, DC servos have been actively used in AGV, smart logistics, smart medical care, smart home, elderly care and other life care applications, striding across smart homes and cities of emerging markets.

B. Home-appliances industry

"In deciding to push smart home appliances, TECO Group has defined its role as a home-appliances brand integrating science, technology, and intelligence." Therefore, TECO has forayed into market from IT angle, integrating the group's internal resources, including industrial drive, motor control, communications, and computing technologies, making TECO not only a home-appliances brand but also a home-appliances technological service provider. With firm grip on the development of industrial energy conservation, the company has developed a whole series of energy-saving products meeting government standard for first-tier energy performance and engaged in joint development with other enterprises and government R&D units. Under the auspices of government-sponsored Technology Development Program, the company has applied cutting-edge energy conservation technology in technological innovation, product innovation, and service innovation, thereby enhancing the international competitiveness of Taiwanese brands.

C. Energy & Engineering:

In terms of engineering, due to the different needs of the bidding case, the execution team will adjust to the needs. Sometimes the bidding can be done independently, and sometimes a cooperative team needs to be formed with the strategic alliance of civil construction companies. To adapt to the changing trend of the times, the IoT (Internet of Things) is booming and the demand for IDC equipment rooms is increasing. The requirements for construction timeliness and stability are increasing. By contracting such projects, we will differentiate and cultivate core capabilities to develop the blue ocean of engineering units. In line with the national renewable energy development policy, the island-wide offshore wind power construction operation has been launched one after another to promote the localization of offshore wind power. We participate in the design and construction of offshore wind power shore-based substations, work together with midstream and downstream suppliers, and purchase major power equipment manufactured by local manufacturers to support the goal of offshore wind power localization.

In terms of power equipment, the switchboard and generator are mature industries in which TECO products have a certain level of quality. Customers are also long-term cooperative manufacturers. The electronics industry and the steel industry are the main customer groups. The sales market is greatly affected by the economic environment. All the owners are also implementing cost down plan. The original low-price professional manufacturers have also become competitors. Therefore, we are actively creating new energy development, and have completed the development of smart products to meet the needs of the high-quality, smart green energy market.

In terms of appliance products, the development of the heavy electricity industry is related to the most terminal: the "electrical end" control devices. The industrial structure is to provide low-voltage appliance products such as inverters, servo drives and peripheral protection for motors and to meet the safety and automation and energy-saving requirements of industrial electricity consumption. Although TECO appliances have certain reputation and market share in the power component market. However, it still needs to face competition from domestic and imported products. In addition to product excellence, it also needs to keep abreast of the market's pulse of manual adjustments and government policy adjustments.

5.1.3 Research and Development

A. The company spent NT\$1,179,300 thousand on R&D in 2019. R&D expense is booked as NT\$171,980 thousand as of the end of February in 2020.

a. Industrial Motors Category

1. Series development of high Power Density Induction Motor
2. Series development of high Power Density for North America

3. Integration of large steel shell motor products for North America
4. Series development of medium-voltage explosion proof explosion-proof motor
5. Development of round type motor for steel plant
6. Series development of high-efficiency explosion-proof motors
7. Development of high-speed permanent magnet motor and driver technology
8. Development of synchronous reluctance motor technology
- b. System Automation Category
 1. EtherCAT communication compact servo drive product development
 2. Development of industrial Ethernet high-speed communication cards / modules and other products
 3. IIOT application development controller Bluetooth connection module and APP
 4. Fuzzy control technology development of Maximum torque per ampere (MTPA)
 5. Maximum torque per voltage (MTPV) control technology development
 6. Strengthen the robustness of frequency conversion control applications and develop load disturbance observers
 7. Research on variable frequency on line adjustment control technology (MRAC-Model Reference Adaptive Control)
 8. CANopen communication compact servo driver product development
 9. Servo control line self-adjusting motor parameter technology development
 10. Servo driver control interface software optimization
 11. Product development of compact and universal DC servo drive
 12. Cobot Joint module (CJM) product development
 13. Development of frameless hollow shaft servo motor
 14. Magnetic encoder development
 15. Functional safety certification technology development
 16. Development of integrated DC servo driver
 17. SOC (System On Chip) servo control technology development
 18. AGV unmanned vehicle control platform technology development
 19. Development of the next generation servo drive prototype
 20. Model tracking technology development
 21. Position feedforward technology development
 22. MCU / FPGA integrated technology development
 23. Gantry Simultaneous Technology Development
 24. Energy recovery technology development
 25. Development of automatic power factor correction technology
 26. Development of power phase / frequency automatic detection technology
 27. Multi-axis motion control IC development
 28. Multi-axis motion controller prototype development
 29. Development of electronic cam technology
 30. Development of meal delivery robot prototype
 31. SLAM automatic navigation technology development
 32. AMCL path positioning technology development
 33. Development of differential motion control technology
 34. Development of automatic correction of positioning deviation
 35. FOC on FPGA servo drive technology development
 36. Development of Voltage Feedforward Technology
 37. Development of dynamic current offset compensation technology
 38. Development of encoder offset compensation technology
 39. Position observer technology development
 40. Research on the structure of multi-axis integrated servo drive
 41. Virtual DC link technology development
 42. Development of matrix modulation technology
 43. Miniaturized technology development
 44. SiC module drive technology
 45. Development of meal receiving robot technology
 46. Guided Robot Technology Development

47. IMU technology development
48. Development of image speech recognition technology
- c. Renewable energy- green energy
 1. OEM & ODM for electric vehicle motor
 2. Development of offshore wind turbine technology
- d. Freezing and Air-Conditioning Category
 1. R32 environmentally friendly refrigerant separation type one-to-one frequency conversion large-capacity model development
 2. Development of a full range of R32 window inverter duty type
 3. Diversified TECO Select top air conditioner R & D
 4. Diversified on-demand research and development of exclusive air conditioners
 5. High CSPF inverter air conditioner (1 to 1 ~ 1 to many)
 6. High CSPF frequency conversion multi-unit VRF air conditioner miniaturization / lightening
 7. PM2.5 cleaning module for HS series
 8. R & D of multi-connected commercial air conditioner and smart air conditioner system
 9. High CSPF water-cooled box-type inverter air conditioner
 10. Anti-corrosion / high static pressure box type frequency conversion air conditioner for steel / telecommunications industry
 11. Mobile networked home inverter air conditioner smart diagnosis service APP
 12. Central air-conditioning energy-saving system solution
 13. Research and development of air-cooled oblique side blowing / up blowing chiller
 14. High Efficiency inverter duty centrifugal chiller
 15. AHU (air handling unit)
 16. Inverter duty energy-saving refrigerator with free switching of vegetables, fruits and freezing
 17. Research and development of high efficiency inverter commercial refrigerator
- e. Industrial Internet of Things:
 1. Industrial Internet of Things data transmission methods, including LoRa, NB-IoT, WiFi and other transmission methods.
 2. Establish an Internet of Things platform, including data analysis, data storage, and data visualization.
 3. Establish application cases in application areas:
 - RFID intelligent mold management pilot project
 - If the connection of factory equipment has been applied in various plant areas, such as the Vietnam Plant that was newly built last year, equipment operation status, air compressor management, vanish continuous furnace process monitoring, spray baking furnace process monitoring, air pollution equipment Activated carbon filter pressure difference sensing ... environmental protection processes and automation, linking to smart production lines
 - TEAM digital power meter connection: power relay station digital power meter connection, baking oven electricity monitoring ... etc.
- f. Data analysis
 1. Assist in the establishment of chiller performance analysis and management platform
 2. Maintenance and application efficiency analysis of solar power system
- g. Digitization of inspection equipment records
 1. The production line rotor concentricity and levelness inspection records are automated
 2. Automatic inspection report output

5.1.4 Long-term and Short-term Development

The long-term business development plan aims to be the first in the international motor industry. The short-term business plan is to continue the global production and marketing layout, gradually expand the cultivation in mainland China, Turkey and India, and integrate the production resources of the two geographies in Penang, Malaysia and Dong Nai, Vietnam, and simultaneously develop emerging markets in the Middle East, India, Philippines, Turkey, Africa, Russia, etc. Strengthening manufacturing and cost control, accelerating the strategic alliance with mainland China, Europe, America, Japan and international manufacturers, and gradually increasing

the global market share, especially in service sales is to provide one-stop service, through the establishment of rapid maintenance , provide customers with immediate maintenance, technical transformation, and services. In recent years, countries have strengthened the implementation of energy conservation policies, TECO will seize this business opportunity and use the high-efficiency motors introduced to further increase the overall sales and market share.

In terms of sales, a task force for growth was established to promote new products including permanent magnets, automotive motors, and medium voltage inverters (MVD), etc., and centralized management through global account to deepen relationships and potential business opportunities. In addition, it implements the digitalization of marketing (Digitalization) plan, expands and optimizes various high-performance information platforms on the marketing side, and gradually improves the business intelligence system (BI) to enhance precision marketing and guide growth.

Teco will focus on transmission equipment, food machinery, plastic machinery, rubber manufacturing, air compressor, petroleum/ natural gas, and air conditioning, in addition to foraying into new application fields, such as applications in shipping and rail train. For service-oriented sales, offer integrated service with the establishment of rapid maintenance center, capable of offering customers instant maintenance, technological transformation, and replacement services. Under the global current of industrial automation, provide systematic products featuring high efficiency, energy conservation, and precision system control, so as to meet the demands for industrial power safety, automation, and energy conservation.

Actively develop industrial low-voltage and medium-voltage inverters, and use integrated sales with M + I to create system energy-saving business opportunities. Due to global development trends such as energy saving, carbon reduction, and green environmental protection, under the mainstream trend of global industrial development automation production, providing high efficiency, energy saving and demanding products requiring mechanical system control accuracy is the focus of the electronic control business. Under the management spindle of TECO GO ECO, we launched control components for motors such as inverter servo drives and peripheral protection low-voltage appliances to meet the needs of industrial power safety and automation and energy saving. In response to the Industrial Internet of Things (IIoT) in the system integration to expand the system solution sales (Solution Sales), from the original motor, inverter, appliances and other single product sales, sales and integration of electromechanical products, strategic benefits are maximized, and strengthen customers Mastery, create more potential opportunities in resource integration and achieve the goal of accelerating performance growth

For home appliances, in the long run, the company aspires to become the leading brand in Taiwan and actively penetrate overseas market. In response to the government's energy-conservation policy, TECO has rolled out household refrigerator featuring proprietary variable-frequency strategy, with flexible compartment arrangement, which has been granted 2019 Taiwan Excellent Awards. The company has also rolled out a variable-frequency DC commercial refrigerator, boasting over 60% energy saving, compared with rival brands, plus cloud-end IoT smart management, which can effectively cut foodstuff waste for commercial establishments. Entire series of washing machine meets the double energy- and water-conservation market and models with capacity exceeding 14 kg are furnished with variable-frequency function, to be followed by rollout of variable-frequency washing machines with small 10-12 kg capacity.

TECO will upgrade its existing products in 2020, fully adopt environmentally friendly, energy-saving and efficient R32 refrigerants, and cover a variety of models and capacity bands, which can be adapted to different fields or needs. In the most frequently used VRF full-frequency central air conditioning multi-connected series in commercial spaces, TECO has designed intimately for different workplaces, and the product size is suitable for various installation spaces, achieving One Stop Shopping, Committed to improving the profitability of all products of frequency conversion energy saving, and improving the value of air conditioning projects with energy management systems and high-end high-efficiency energy-saving commercial air conditioners. "Slim, ultra-thin" series, occupying the smallest floor space in the industry, can be assembled according to the needs of the construction site after flexible disassembly and assembly. In order to fully attack public projects and green buildings, TECO Home Appliances has stepped into the market of energy-efficient magnetic levitation centrifuges in recent years and launched IPLV chiller solutions, which have a power saving effect 30% higher than non inverter- duty. TECO's air-conditioning system solution, in addition to high energy efficiency, can also provide product health diagnosis, plus visual power management, indoor air quality monitoring and other various management and control systems, providing one-stop air-conditioning system integration services . The experiment of Dongyuan Guanyin Factory not only obtained TAF certification, but also expanded a large-scale

professional IPLV test station in 2018, which can ensure that the air-conditioning host can achieve the best energy-saving operation under various load conditions.

Another copy of Taiwan's successful experience, and actively expand the Southeast Asian and mainland markets. In terms of LCD products, the current cross-strait supply chain optimization and integration, product breadth, functional specifications, and product quality and supply stability have been greatly improved, and continue to actively attack the 4K market share in Taiwan. Highlight products also include 55-inch 4K OLED LCD AV, 4K series uses a narrow bezel design, the colors are true and rich, and it is expected to be applied into Google TV in Q3 2020. Home appliances continue to expand the product line of small household appliances, Taiwan-made DC fans continue to expand the market, and launch three-in-one wireless wet and dry mopping vacuum cleaners. Because of the improvement of national living standards, the Internet industry, home furnishing industry, the diversification of low-temperature food and the concentration of urbanized population, cold-chain logistics distribution has become an emerging industry. According to the statistics of the Institute of Industrial Research, the output value of low-temperature food in Taiwan is about NT\$280 billion. The output value is about NT\$50 billion, of which low-temperature logistics distribution accounts for more than NT\$8 billion. TECO Group will apply refrigeration and thermal insulation technology combined with IT intelligent monitoring trends to fully develop and meet the needs of various passengers in logistics and home distribution. This new blue ocean of low-temperature logistics industry is worth looking forward to in the future.

Adhering to the concept of "quality and innovation" and backed by abundance engineering experience in electric machinery of buildings, MRT, and high-speed rail, the power division has spared no effort in soliciting engineering businesses in the fields of large commercial buildings, MRT and rail to continue to cooperate with the national renewable energy development policy and actively invest in solar photovoltaic power generation systems, micro-grid systems, energy storage systems and energy management equipment with intelligent automatic control technology . In recent years, the Energy & Engineering division has managed to land businesses for a number of major projects, including construction of IDC central offices and IDC centers for some cloud-end Internet firms, foraying into the booming cloud-end industry. In addition, it aggressively integrate related products in side the group to form smart power supply equipment and installation of energy storagesystem, expanding on-shore substation of offshore wind farm, successfully tapped emerging business opportunities for smart energy conservation and overseas markets.

5.2 Market and Sales Overview

5.2.1 Market Analysis

A. Sales (Service) Region

The company is shipping industrial products to such major regions as America, Europe, Australia, Japan, China and Taiwan, and targets to extend the reach to the Middle East, India and Turkey. Home appliances are shipped mainly to the domestic market, with minor markets including Australia, Southeast Asia, Singapore, and Japan. The main sales area of power equipment products is domestic sales in Taiwan, and it also develops markets in Japan and Southeast Asia. The sales areas of appliance products are mainly domestic sales in Taiwan and mainland China, and are actively expanding the Southeast Asian market.

B. Market Share (%) of Major Product Categories

(1) Industrial Product

The company boasts 50% domestic market share in general purpose sector; regarding overseas market, TECO takes over high market share in North America, South East Asia and Australia. TECO also offers customers custom motor featuring special usage and specifications, with the capacity reaching 30,000 horsepower in induction motors, ranking Top 5 around the world.

(2) Home Appliances and Air Conditioner

The company is one of the top three makers of home appliances and air conditioners in Taiwan, with market share reaching 10% for household air conditioners, 14% for refrigerators, 15% for washing machines, 10% for LCD, and 30% for commercial-use air conditioners.

(3) Control Device

The company is Top 2 producer of circuit breaker, widely used in power distribution and machinery market. Domestic market share is around 17%.

C. Market Trend of Major Product Categories

(1) Industrial Products

TECO originated from motor production, which has remained a core part of the company's operation, offering the dynamism for Taiwan's industrial development. According to the analysis of the International Energy Agency (IEA), industrial machinery with motor as core drive is the industrial equipment with the largest power consumption, such as machine tool, pump, air compressor, and wind turbine, accounting for 46% of the world's total power consumption. In Taiwan, motor accounts for 68% of industrial power consumption. For motor manufacturers, the development of high-efficiency motors is not only out of market consideration but also corporate social responsibility. Therefore, TECO dedicates to the development of energy-conserving products, as evidenced by the rollout of high-efficiency motors conforming to IE3 requirement in July 2014, even before implementation of the standard by the government in 2016. At present, TECO has provided many customers IE4 motors, notably for rubber and plastic industry with the largest power consumption, even though the government has yet to implement the standard.

In addition, TECO successfully developed VHPD (Very High Power Density), which has exceeded the upper limit of 355 frame motor power density in the world. In addition to ultra-high power density, this motor also has the characteristics of high efficiency, light weight and miniaturization, and intelligent health management. It is especially suitable for use with wind turbine industrial equipment with compact requirements. It is used in large plant areas such as oil refineries and power plants. It can also reduce the use of space and simplify the structure.

VHPD motors not only have ultra-high efficiency comparable to IE4, but also have built-in intelligent health management system developed by the companies within the group, providing long-distance and instant maintenance, saving a lot of maintenance costs and energy consumption. The electromechanical technology meets TECO's goal of "energy saving, emission reduction, intelligence, and automation", and

is expected to add momentum to revenue growth and create greater benefits for customers.

Based on the Internet of Things technology, TECO has developed a "smart motor electromechanical monitoring system", which has also achieved significant performance in digital services. "Smart motor electromechanical monitoring system" can provide functions such as remote monitoring, abnormal alarm, online diagnosis, and energy usage statistics. The place where the most value can be exerted is in a place where manpower is difficult to obtain or unsuitable to be in. For example, inaccessible mines, high-temperature dangerous steel plants, cement plants with people far away from the equipment, and textile factories with a dirty environment are clients of TECO digital services. Take the customer of a large steel plant as an example, the TECO "Smart Motor Electromechanical Monitoring System" was introduced to monitor a total of more than 100 motors within 30 square kilometers. According to customer feedback, after using TECO's digital service, the unwarned downtime was eliminated, which reduced the maintenance cost by 40% compared with the previous period.

Looking forward to the future, heavy power products will continue to strengthen marketing and production integration, strengthen product competitiveness, and accelerate cost reduction to increase market share. In terms of marketing, we will continue to challenge high-growth targets and continue to challenge high-growth targets by expanding and integrating the business capabilities of domestic and overseas companies to jointly explore the OEM market, emerging country markets, water resources and power markets, and actively strive for major engineering orders such as public projects and domestic and overseas engineering projects. Grasp opportunities for energy saving and carbon reduction. Leveraging the Internet of Things and integrating with hardware and software, with smart motors, electromechanical equipment and other high-quality products in the group, it will show its technical capabilities to the world and provide intelligent best solutions. TECO Group mainly exhibited the VHPD (Very High Power Density), which has been developed for two years and successfully broke the upper limit of the global 355 frame motor power density. In addition to ultra-high power density, this motor also has the characteristics of high efficiency, light weight and miniaturization, and intelligent health management. It is especially suitable for use with wind turbine industrial equipment with compact requirements. It is used in large plant areas such as oil refineries and power plants. It can also reduce the use of space and simplify the structure. VHPD motors not only have super high efficiency comparable to IE4, combined with the intelligent health management system developed by the group's related company, Tecom and TECO's systemized equipment E-House (pre-installed electrical room). The main concept is to install the equipment needed in the electrical room in a container that is convenient for transportation, suitable for Remote areas, for example, the setting point of indistinct oil pipelines, climate observation stations on high mountains, etc. E-House has been sold in North America since 2018, and its revenue has reached millions of dollars. This successful systematic sales model will be expanded to other countries next year. Another popular product that has sprung up is TECO's explosion-proof motors. The product range is complete and can be used in different fields, especially in the mainland petrochemical industry. Because of the explosions in factories in recent years, the public security inspections have become more rigorous thus demand significantly increased.

(2) Home Appliances

The company produces air conditioning equipment of diverse models in capacity and purpose of use for sale in Taiwan and overseas markets. In particular, the company had offered new chiller models featuring high capacity as well as small dimensions and thickness, with the models able to be dismantled and then assembled to facilitate installation at some places. The company had been developing magnetic bearing centrifugal chillers with high energy efficiency and offered IPLV (integrated part load value) models catering to green buildings and public construction projects. In 2018, the company aimed at 35% on-year growth in shipment for commercial air conditioning equipment and 25% on-year growth in shipment for home-use air conditioner in the Taiwan market. Besides, the company aimed to export large chillers to the Southeast Asia market.

Among local vendors of commercial air conditioning equipment, the company had maintained leading status. In 2019, the company will upgrade existing models of air conditioning product lines to cover a wide range of capacity for use at various places and to meet different purposes. For VRF (variable refrigerant flow) multi-unit central air conditioning equipment commonly used in commercial space, the company offered a series models of varying sizes to suit various types of commercial space. Such models

had been exported to the Southeast Asia market including Malaysia and Singapore.

The company was promoting development of smart home-use electric appliances, including 43- to 65-inch 4K+Smart LCD monitors, high energy-efficiency variable-frequency refrigerators, multi-temperature refrigerators, remotely monitored SAA (Smart Appliance Alliance) air conditioners and air conditioners equipped with HEPA (high-efficiency particulate air) medical-grade filters. The company aimed to increase sales revenues and profitability by product differentiation.

With the development of new technologies and the convenience of the Internet, the combination of information products and household electrical appliances has led to the future of commodity-information household electrical appliances. The company will use decades of experience in the home appliance industry, combined with various cutting-edge information technologies in the group, to develop information appliance products suitable for the market, and create greater profits for shareholders.

Besides domestic market, the company has also made major inroads into the international market, following years of strenuous effort, especially for LCD TV and air conditioner which have enjoyed very good sales to Southeast Asia, Australia, and Europe. In the future, along with increase in national income and the advent of the information age, the company will continue to launch various even more human-friendly new products, so as to meet market demand.

(3) Renewable Energy:

To expand the promotion of renewable energy, the government has set a policy goal of 20% (27GW) of renewable energy power generation in 2025. TECO is actively promoting solar photovoltaic and wind power generation. It is estimated that the capacity of solar photovoltaic installations will reach 20GW in 2025, and the capacity of offshore wind installations will reach 5.7GW. As of the end of January 2020, 3.7GW of solar photovoltaic power generation systems and 0.8GW of wind turbines have been built domestically. There are still 16.3GW of solar photovoltaic power generation systems to be built by 2025, with approximately 815 billion market opportunities. For offshore wind power, the government actively promotes localization and builds a localized supply chain. It is estimated that the output value of offshore wind power will exceed NT\$900 billion.

D. Favorable and Unfavorable Factors in the Long-range Future and Countermeasures

(1) Industrial Product

The company's industrial product has won very good reputation, in terms of quality and function, in the industry. It has established a far-reaching operation network on both domestic and overseas fronts, including production and marketing bases in the U.S., China, and Southeast Asia, and marketing offices in Japan, Europe, and Australia. However, rapid change in the business climate and the transformation of economic conditions and industrial structure has posed major challenge to the company's future development. The company will seek sustained development on niche basis cultivated over the past years, to cope with rapid change in the business environment.

Favorable and unfavorable factors for industrial product business, along with countermeasures follow:

A. Strong sales network

The largest sales channel of TECO Motors is the OEM (Original Equipment Manufacturer) and dealer model. Among them, strategic alliances with local OEMs in target markets have become the main way for TECO to expand its market share. The management of key global customers is of great importance. However, the deep cultivation of the brand image, through direct sales to end users (End User) and EPC (Engineering, Procurement, Construction) promotion is also the direction of TECO's efforts. TECO utilizes the strengths of many related companies at home and abroad, and uses cloud big data analysis to manage business opportunities, and can more accurately grasp market information. The business opportunities of various branches have great potential.

B. Solution projects and after service

Providing solution projects for specific industry, product maintenance, efficiency evaluation, complete repair and maintenance can upgrade the add value of motor and ensure the sales of motor. Therefore, the international peers, such as ABB and Siemens, make an effort to integrate system.

C. M&A

Many renowned international brands are actively seeking mergers and acquisitions, for the sake of expanding capacity and sales channels, in addition to extending the magnitude and depth of products and establishing motor-related product lines (such as generator, driver, inverter, and gear reducer, etc.), facilitating provision of more complete engineering solutions, and enhancing market shares of motors and related products. Meanwhile, M&A can pave the way for entry into new market, raising brand visibility and awareness on the market. For some M&A targets, TECO will first seek cooperation to augment market share and sales.

Favorable and unfavorable factors for industrial product business, along with countermeasures follow:

a. Favorable factors

- R&D and self made ability, good in tailor made
- Leading position in production scale and market share
- Reliable in quality and good brand image
- Complete product offering line, getting certification of every motor with special demand
- Complete sales channel globally
- Influenced by the Sino-US trade war, the return of Taiwanese businessmen in Mainland China has increased

b. Unfavorable factors

- Market saturation leading to price competition among machinery firms and increasingly rigorous demand for price and delivery by buyers
- Transplantation of traditional machinery firms to China and other countries
- Tier 1 motor suppliers promote scope by solid capital and M&A
- Due to the low entry barrier of small sized motor, local player in various countries are able to produce. Low price competition results into decreasing market share, and TECO takes stress of dumping from China player.
- Tier 1 motor suppliers sell system or total solution. In fact, more and more customers expect to buy total solution with motor.
- The strategy between motor and set maker would affect order taking.
- Affected by the Sino-US trade war, it is not conducive to the export of products from TECO's Chinese factories.

c. Countermeasures

- Reduce cost, shorten delivery schedule, enhance competitive edge, and boost market share.
- Accelerate new-product development, develop products with high added value, and establish a production system featuring cross-strait division of labor.
- Increase overseas marketing offices and establish an effective service network.
- Strive for emerging business opportunities related to environmental production and energy conservation.
- Join hands with foreign engineering firms in soliciting project orders.
- Relocating some production bases to Vietnam and India factories to reduce the export costs increased due to the Sino-US trade war

(2) Home Appliances and Air-Conditioning Business

a. Favorable factors

- TECO's home-appliances division has constantly rolled out innovative high-performance products, taking advantage of the company's good brand image, synergy resulting from resource sharing of the group, and its variable-frequency drive technology, which was transformed via re-platform from heavy-electricity variable-frequency drive technology. At the juncture of its 60th anniversary, TECO's home appliances have entered a new era.
- Roll out, one step ahead of peers, around-the-clock service and grasp channel, to augment competitive edge. Establish inverter common platform for products, enabling precision variable-frequency drive for various motor compressors and coordinate the control logics of different products, such as air conditioner, refrigerator, and washing machine, creating dynamism for innovation for the creation of new products and new functions. In addition, commit to the satisfaction of consumers in service quality and stock of materials.
- The company adopts environmentally friendly manufacturing processes and materials to produce green products. The company in 2016 took the initiative among fellow makers to adopt R32 refrigerant air conditioner production lines to produce energy-saving air conditioners. In order for energy saving and reduction in carbon dioxide emission, the company is the first Taiwan-based home-use electric appliance maker to promote green factories.
- The company joined the Smart Appliance Alliance to boost development of smart home-use electric appliance models. Among Taiwan-based fellow makers, the company is the first one to integrate IoT with home-use electric appliances. The company took the initiative to offer cloud computing-based air conditioning systems featuring user-oriented functions including schedule control, visualization of power consumption, remote control, reminding for switching off.
- The company has offered models that meet requirements for energy-saving, environmental protection and excellence product awards, MIT (Made in Taiwan) labels as well as first-grade energy-saving standards,
- The company took the initiative to offer cloud computing-based air conditioning systems and has provided HVAC (heating, ventilation and air conditioning) solutions

b. Unfavorable factors

- To over the Japanese myth among Taiwanese people, TECO has no other choice but augment its product technologies and thereby compete with Japan's common models, boosting production cost.
- Home appliances/household air conditioning market has saturated, featuring acute competition and low margin.
- WTO membership entails tariff cuts, bringing in competition from renowned brands of Japan, the U.S., Korea, and China.
- The Taiwanese market is limited in scale and it's difficult to develop the global branding, due to high expense for marketing own brands and insufficient price competitiveness.
- Competition from hypermarkets and chain sales channels impacts the traditional channel of agents.
- The current of bilateral or regional free-trade agreements in recent years has posed major challenge to Taiwan.

c. Countermeasures

- Make transformation in the direction of the Internet, expand online sales, develop high-performance IoT cloud-end fashion home appliances, and dedicate to the pushing of marketing 4.0, so as to appeal to white-collar workers aged under 4.0.
- Expand the professional ability of research and marketing, keep innovation.
- Expand product lineup and cut cost via OEM (original equipment manufacturer) strategic alliance, thereby raising market share.
- Create the edge combining Taiwan's innovation and the large-scale cost advantage of mainland China's hardware, via SKD assembly in China.
- Grasp product development trend in domestic and overseas markets via the operation of product panel and new-product review sessions, thereby introducing innovative products timely.

5.2.2 The Production Procedures of Main Products

Industrial Products:

| Products | Use | Production Process |
|--|--|---|
| High-efficiency motors, single-phase motors, low- and high-voltage 3-phase motors, synchronous motors, explosion-proof motors, brake motors, variable-pole motors, gear-reducing motors, crane motors, high-temperature exhaust gas fan motors, inverter-duty motors, high-thrust motors, steel-cased motors, aluminum-cased motors, eddy-current motors, wound rotor motors, submersible motors, DC motors, ventilation blowers, wind-powered generators. | Provision of power for industrial production | Casting, Stamping, Electrical Engineering, Mechanical Engineering, Design, Planning, Assembly, Matching |
| Electric vehicle power motioned permanent magnetic motor, Electric vehicle power motioned induction motor, permanent magnetic motor, AC/permanent magnetic servo motor, IE3/4 high efficient IMD(Integrated Motor Drive) | Industrial and electric vehicle used | Stamping, Electrical Engineering, Mechanical Engineering, Magnet, Design, Planning, Assembly, Matching, Integration |

Home Appliances & Air Conditioners:

| Products | Use | Production Process |
|--|---|--|
| CSPF-first class air conditioner , new environment-friendly coolant inverter duty air conditioner (one to one and VRF type), smart air conditioner, energy-saving inverter duty refrigerator, high EF-value refrigerator, direct-drive inverter duty washing machine, dehumidifier, clothes dryer, small home appliances, home-delivery low-temperature cart, elevator air conditioner, cooling device for machine tool, low-temperature logistics freezer, heat-dissipation module for PC | Household, commercial, industrial use | Design, planning, assembly, and matching |
| LED Display, small home appliances | Home Entertainment | Design, Planning, Assembly |
| Chillers for centralized air-conditioning systems, package air conditioners, split-type air conditioners, inverter multi-evaporator VRF air conditioner, train air-conditioning systems, centrifugal chiller, IPLV chiller solution | Commercial, Industrial Applications; Transportation systems | Design, Planning, Assembly, Matching |

5.2.3 Main Material

| | Main Material | Main Source | Supply |
|-------|----------------|--------------------|---|
| Motor | Silicon Steel | At home and abroad | Centralized Procurement by season |
| | Aluminum Ingot | At home and abroad | Centralized Procurement by season |
| | Rod Iron | At home and abroad | Procurement by Contract |
| | Copper Wire | At home and abroad | Procurement by Contract and Order Placing |
| | Bearing | At home and abroad | Procurement by Contract |
| | Engine | Abroad | Procurement by Contract |

5.2.4 Major Suppliers and Clients

A. Major Suppliers Information for the Last Two Calendar Years

None

B. Major Clients (each commanding 10%-plus share of annual order volume) Information for the Last Two Calendar Years

None

5.2.4 Production over the Last Two Years

Unit: Units; NT\$thousand

| Output Major Products | Year | 2018 | | | 2019 | | |
|--------------------------|------|------------|-----------|------------|------------|-----------|------------|
| | | Capacity | Quantity | Amount | Capacity | Quantity | Amount |
| Motor | | 1,328,030 | 1,078,353 | 13,373,284 | 1,458,426 | 1,014,288 | 12,369,751 |
| System Automation | | 12,174,439 | 7,260,245 | 4,408,893 | 12,171,562 | 6,367,550 | 4,017,916 |
| Home Appliance | | 301,613 | 276,015 | 3,939,173 | 293,631 | 228,189 | 2,345,431 |
| Others | | 494,066 | 494,066 | 2,097,531 | 339,084 | 339,084 | 1,181,774 |
| Total | | 14,298,148 | 9,108,679 | 23,818,881 | 14,262,703 | 7,949,111 | 19,914,872 |

5.2.5 Shipments and Sales over the Last Two Years

Unit: Units; NT\$thousand

| Shipments & Sales Major Products | Year | 2018 | | | | 2019 | | | |
|--|------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|
| | | Local | | Export | | Local | | Export | |
| | | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| Motor & System Automation | | 1,659,449 | 7,156,255 | 3,715,196 | 22,528,515 | 1,510,914 | 6,231,149 | 3,642,183 | 22,826,225 |
| Home Appliance & Air Conditioner | | 691,003 | 5,427,693 | 96,414 | 513,119 | 576,106 | 4,403,114 | 119,457 | 661,235 |
| Construction | | | 3,348,998 | | | | 3,198,620 | | |
| Other | | | 8,964,395 | | 2,165,952 | | 8,730,047 | | 1,858,968 |
| Total | | 2,350,452 | 24,897,341 | 3,811,610 | 25,207,586 | 2,087,020 | 22,562,930 | 3,761,640 | 25,346,428 |

5.3 Human Resources

| Year | | 2018 | | 2019 | | March 31 2020 | |
|--------------------------|--------------------------|-------|--------|-------|--------|---------------|--------|
| | | TECO | Global | TECO | Global | TECO | Global |
| Number of Employees | | 2,356 | 14,363 | 2,252 | 14,530 | 2,245 | 13,935 |
| Average Age | | 41.8 | 40.6 | 42.2 | 40.4 | 42.4 | 40.70 |
| Average Years of Service | | 14.4 | 8.76 | 14.5 | 9.9 | 14.6 | 9.9 |
| Education | Masters above | 6.8 | 14.9 | 6.5 | 14.7 | 6.5 | 6.1 |
| | Bachelor's Degree | 47.1 | 52.7 | 48.60 | 52.9 | 49.0 | 45.5 |
| | Senior High School | 33.5 | 27.1 | 33.1 | 27 | 32.8 | 34.7 |
| | Below Senior High School | 12.6 | 5.3 | 11.8 | 5.3 | 11.7 | 13.5 |

Note: Employees mentioned here refer to those people who are hired by the entities under consolidated financial statements.

5.4 Information on Outlays for Environmental Protection

Explain in the recent one year up to the publication of the yearbook, the total amount of the company's loss (including compensation) from pollution and fines, plus possible outlay from countermeasures.

5.4.1 Loss resulted from polluting environment

None

5.4.2 Countermeasures

A. Improvement measures planned

a. Improvement plan for environmental-protection equipment

In order to reduce greenhouse gas emissions and fulfill corporate social responsibilities, TECO has gradually introduced solar power generation systems in each plant; timely introduction of remote monitoring technology can always grasp the environmental indicators around the plant; purchase environmental protection and energy-saving equipment; and use existing TECO control and motor technologies, in addition to the development of energy-saving products, and assist Third party Factories to introduce energy-saving spray production systems; strengthen the maintenance of existing equipment and reduce waste in the process, improve the workplace environment, promote energy conservation, waste water recycling, waste recycling and reuse to prevent pollution and comply with legal standards ;

b. Plan for management improvement

Continue pushing ISO14001 environment management system, pinpoint sections in the operational process (covering the entire product life which includes production, sales, the usage of product, and its disposal) which produce impact on the environment and improve the emission of pollutants, thereby alleviating the environmental impact and augmenting environmental performance.

Continue pushing OHSAS 18001 vocational safety and hygiene management system and the passage of the certification of CNS 15506 by the Council of Labor Affairs; incorporate safety and hygiene management into the corporate management culture; regularly hold environmental-protection and safety/hygiene training, fire-fighting drill and drill emergency response; regularly inspect operating environment and physical examination of employees, so as to lower the hazards of risk of workplace and prevent the occurrence of vocational disaster.

c. Continue pushing the program for checking and reduction greenhouse-gas emission

In response to the trend of global climate change, the company has started to conduct greenhouse gas inventory business since 1994. From 101 to 108, TECO passed the external verification of annual greenhouse gas inventory (ISO 14064-1); the 2015 greenhouse gas emission benchmark was 56,575 tons, and the goal is to reduce it by 20% (45,260 tons) by 2025. The 2019 inventory result is 47,563 metric tons, which has been reduced by 16% to 80%. Since 1995, it has begun to promote energy-saving and carbon-reduction solutions, especially the use of electricity in category two. All the companies and all staff of TECO mobilized to establish an energy-saving project team and hired professional experts to assist in diagnosis and provide feasible solutions. To build a solar power system, in addition to the completed Kuanyin Phase I project, the Kuanyin Phase II project will also be integrated into the grid in January this year; this year will continue to build solar systems in the Chungli plant.

TECO has been dedicating to the materialization of the strategic vision of "energy conservation, emissions reduction, intelligence and automation," which calls for the production of energy-saving and environment-friendly products, via efforts in the fields of R&D, production, materials, process technology, and marketing. We also focus on green energy in business expansion and even organize various sci-tech

and humanistic events via the foundation, in order to substantiate eco value and induce the company to develop in the direction of sustainability.

d. Projected capital outlay for environmental protection in the next three years

(a)Planned procurement of anti-pollution equipment and outlays

i. Plans in next three years

| 2020 | 2021 | 2022 |
|---|--|--|
| Maintenance, improvement or addition of air pollution prevention equipment | Maintenance, improvement or addition of air pollution prevention equipment | Maintenance, improvement or addition of air pollution prevention equipment |
| Activated carbon, filter, filter ball, etc. consumables replacement, improve organic solvent process, remote monitoring system | Activated carbon, filter, filter ball, etc. consumables replacement, improve organic solvent process | Activated carbon, filter, filter ball, etc. consumables replacement, improve organic solvent process all |
| Build a rooftop solar panel power generation system in the factory 1.The first phase of Guanyin Factory in the first season started to be connected to the grid 2.Construction of Chungli Factory in the fourth quarter | Baking oven air door, energy-saving spray booth, other energy-saving cases | Baking oven air door, energy-saving spray booth, other energy-saving cases |
| Renewal of LPG storage tank, introduction of environmental protection paint and improvement of the environment around the plant and the process | Improvement of the process environment around the plant | Improvement of the process environment around the plant |
| Replacement of conventional lighting products with energy-saving models and light hoods | Replacement of conventional lighting products with energy-saving models and light hoods | Replacement of conventional lighting products with energy-saving models and light hoods |
| Pipeline for waste-water | Pipeline for waste-water | Pipeline for waste-water |

ii. Projected outlays (Unit: NT\$thousand)

| 2020 | 2021 | 2022 |
|------------|-----------|-----------|
| \$ 154,022 | \$ 36,469 | \$ 35,734 |

(b) Expected improvements

- i. In addition to reducing greenhouse gas emissions and electricity costs, solar energy can also reduce the potential competitive threat of carbon taxes in the future. With the currently completed system, the power generation capacity is 7MW (seven million watts), which is expected to be generated annually. The electricity cost benefit is 40 million NTD per year.
- ii. Since 2016, environmentally friendly water-based paints have been gradually introduced. By the end of 2019, compared with the 2015 base year, total volatile organic compound (VOC) emissions have been reduced by 85,237 kg, a reduction of 52.4%.
- iii. Establish a remote monitoring mechanism to keep abreast of air pollution discharge status to ensure compliance with relevant laws and regulations, and cooperate with domestic opportunities to seek opportunities for improvement of air pollution and waste water treatment.
- iv. Promote industrial waste reduction, reduce waste output and improve resource waste recycling mechanisms, and seek opportunities for recycling. The amount of waste silicon steel sheets recovered and recycled reaches 27.3% of the amount of iron raw materials used.

- v. Set up an energy-saving and carbon-reduction team to use TECO's existing control system and energy-saving motor technology to implement project improvements for equipment and areas with large energy consumption. To reduce the production of carbon dioxide. A total of 33,949 tons of greenhouse gas emission reductions have been reduced for three years, which is equivalent to the carbon absorption of 89 Daan Forest Parks
- vi. Push to cut emission of greenhouse gas and dedicate to the development of energy-conserving environment-friendly products, to alleviate the impact on the environment and fulfill corporate social responsibility.
- vii. Use appropriate network monitoring system to control the power distribution status at any time f. Expected effect of improvement

(a) Effect on net profits

- i. The introduction of solar energy can reduce the use of electricity and reduce the cost of electricity.
- ii. Improve the improvement of air and water pollution to avoid losses caused by fines
- iii. Avoidance of loss from suspension of operation
- iv. Avoidance of disputes for environmental pollution
- v. Cut production cost via reduction of environmental-protection outlays, thanks to waste abatement and pollution prevention.

(b) Effect on competitiveness status

- i. The introduction of solar power grids can also directly reduce greenhouse gas emissions. In response to international environmental trends, the implementation of carbon taxes in the future can reduce potential trade barriers caused by carbon taxes, increase product sales opportunities, and enhance the competitiveness of company products
- ii. Augment the corporate image and meet the expectation of related parties.

B. Failure to adopt countermeasures

- a. Failure to adopt improvement measures: Nil
- b. State of pollution: Nil
- c. Possible loss and compensation amount: Nil

5.5 Labor Relations

We firmly believe that talent is the cornerstone of the company's sustainable management. The goal of TECO's labor-management relationship is to strengthen talent development, build TECO as an enterprise of happiness, achieve sustainable business operation, and become the best employer brand; we very much hope that employees can achieve self-development and achievements at work, so we have constructed an open career environment, as well as welfare measures that balance life and family, allow employees to work and grow with the company.

A. Career development and self-achievement

In order to cultivate outstanding talents with enthusiasm and innovative ideas, and to assist talents to achieve achievements on the stage of company development, in addition to complete training and adaptation care for new recruits, the opening of career development channels is also guaranteed. Related projects as follows:

- a. Internal recruitment priority: In order to activate and clear the talent development path, the company stipulates that all types of vacancies must give priority to internal recruitment to provide employees with spontaneous and autonomous career development opportunities; the application process is confidential and colleagues need not worry of unfair treatments. After admission, they will also arrange for handover and job conversion through the company system, so that colleagues can seek a stage to display their talents.

- b. High Fly plan: The company's mid-level executives' job requirements also give priority to opening up for colleagues. Employees who have served for more than 1 year and have outstanding performances can all strive for the advance and challenge of career growth through unit recommendation or self-application. If the assessment is passed, the manager's position can be acted for one year, and if the performance is good after one year, it will be removed. If the assessment still needs to be strengthened, you can return to the original position and continue your experience without worrying about future development.
- c. Key Talent System: Key talents are the key cultivated talents below the company manager level. The key talents are discussed and reviewed every year. In addition to the nominations recommended by the unit, colleagues are encouraged to recommend themselves. After the selection, each key talent will be assisted in setting up a personal development plan (IDP), and its development status has even become a department key performance indicator (KPI) project. At the same time, it is matched with the overall reward plan for key talents with market competitiveness, so that colleagues can be systematically cultivated.

B. Protection of employee rights

- a. Job search security and gender equality protection: According to the Personal Data Protection Law, TECO guarantees the personal security of job seekers and does not use it for purposes other than recruitment and selection without the consent of the job seeker. In terms of employee candidates, it fully complies with the Labor Standards Law and does not employ people under the age of 15 to do labor work; for co-op students under the age of 16 to provide cooperative education and life care, and provide suitable employment opportunities. Provide suitable employment to people with disabilities and Aboriginal people, there are currently 40 employees with disabilities and 23 Aboriginal colleagues. In order to balance the gender structure, the company's R & D unit guarantees women's employment through the requirements of key performance indicators, and the proportion of women in research and development colleagues in the past three years has been increased from 8.9% to 11.3%.
- b. Competitive remuneration policy: The company actively observes the salary level in the industry market and regularly reviews the company's remuneration policy to facilitate the recruitment and retention of high-quality talents. In addition, in order to appreciate the hard work of the employees, there are work subsidy according to the particularities of different workstations; to encourage colleagues, bonus categories such as business bonuses, research and development bonuses, patent bonuses, proposal bonuses, and skill test bonuses are also established to encourage colleagues to work hard. In order to retain outstanding talents, we also plan the relevant supporting reward system to retain talents, and provide colleagues with no worries about salary and welfare conditions.
- c. Retirement system and its implementation: In accordance with relevant laws and regulations, the company has formulated the "Labor Retirement Measures" and set aside monthly pension funds to be deposited into the Bank of Taiwan Trust Department to take care of employees' retirement life. If you choose to apply the labor pension regulations after July 1, 1994, the company will pay 6% of the employee's monthly salary to the labor insurance bureau's personal account according to the government's monthly labor retirement salary grading table.
- d. Communication channels and employee satisfaction survey: The company actively established a communication channel with employees, and won the "National Labor Relations Excellent Enterprise Award", "Labor-Management Conference Demonstration Award" of the Labor Commission and Taoyuan County "Excellent Labor Relations Business Unit Award". In addition to employees' unions, labor-management meetings, and regular employee quarterly meetings and factory meetings, colleagues will also conduct an "employee satisfaction survey" every year to respond to colleagues' needs through anonymous questionnaire surveys. In the satisfaction survey at the end of 2019, the average satisfaction score reached 81.6.

C. Work-life balance

- a. comprehensive vacation system: In order to balance the work and life balance of colleagues, and implement leave management, in addition to the leave enjoyed by employees in accordance with relevant laws and regulations, the company also examines the special leave utilization rate of each unit and includes it in the annual performance evaluation index of the supervisor.

- b. charity Leave: To encourage employees to participate in social charity activities and implement the responsibilities of corporate citizens, we also provide three days a year and pay full salary without affecting the performance evaluation of employees.
- c. Physical and mental health promotion: In order to take care of the physical and mental health of employees, in addition to providing a safe and healthy and delicious employee restaurant, the company has set up medical offices and outpatient clinics in each factory area, and has a full-time nurse to work. Professional doctors are stationed weekly to take care of employees' safety and health. At the same time, promotes various health promotion activities, establishes various leisure and sports clubs, provides spiritual growth and relief massage services, etc. In addition, committed to the construction of a "maternal friendly environment". The breastfeeding room received excellent certification in the evaluation of Taipei City in 2019. It also provides maternal health protection consultation to pregnant female employees, so that colleagues can start a family with ease.

D. Guidelines for employee behavior or ethics

- a. To uphold the working order at workplace and clearly define the rights and obligations of labor and management, the company has formulated "employee working rules," which has been approved by the regulator and publicized as the guidance for the company in employee management. The rules set out clear regulations on employees' position, title, employment, leave, service, salary, reward and punishment, evaluation, promotion, welfare, layoff, compensation for vocational injuries, and retirement. The company expects every employee to do his/her best to contribute to the achievement of the company's business goal and enhance his/her ethical standard. It, therefore, has formulated "behavioral guidelines," with major contents including:
 - (a) The staff in the implementation of the company's business, should avoid by means of its position in the company as of to themselves, spouse, parent, child or any other person to obtain improper benefits.
 - (b) The company's internal information (or information related to the company's interest or business), be it in the aspect of technology, finance, or business, is the company's business secret, for which employees have the obligation of confidentiality and cannot leak it to any outside party. In addition, after leaving the company, employees still have to abide by the confidentiality obligation according to the principle of integrity and refrain from leaking the company's secrets or utilize them in engaging in illegal competition.
 - (c) Stake with customers: Employees should obey the law and related regulation of the company to avoid inappropriate present under any other's name or in any way. Trading with customers and suppliers sincerely fairly and transparently with steady, professional attitude.
 - (d) Political donation: Employees should not donate to or sponsor via other means political candidates under the name of the company or its affiliated institutions.
 - (e) Charitable donation: When making any charitable donation or sponsorship, staffers should check the outlet and purpose of such donation and sponsorship to make sure it doesn't become bribery in disguise.
 - (f) Obligation of reporting and informing: The company encourages open communication with staffers and third parties, who can report or inform management or human-resources unit for any question, finding, unfair treatment at worksites, or violation of the guidelines, without vicious fabrication, though. The company will handle such reporting or informing confidentially and protect those who take part in the investigation.

Subjects of the reporting or informing should not revenge or threaten the informants, who can report any revenge, threat, or harassment to human-resources unit upon which the company will act instantly.

E. Status of the company's staffers related to financial-information transparency in securing certificates designated by the regulator.

| License | Number of People | |
|--|----------------------|----------|
| | Financial Accounting | Auditing |
| CPA | 3 | 0 |
| CIA | 0 | 2 |
| Investment trust and consulting representative | 5 | 0 |

F. The company had not incurred any loss from labor-management dispute as of the date for the publication of the annual report and expects no such loss in the future.

5.6 Important Contracts

| Agreement | Counterparty | Period | Major contents | Restrictions |
|------------------------|---|--|--|--------------|
| 1. Agency contract | Yu-Shih electric and others, totaling 856 companies | One year after the starting of shipment, should any party fail to notify contrary opinion three months before the ending of the contract, the contract will be extended by one year automatically, an arrangement which will be repeated afterwards. | Rights and obligations for agency for home appliances, electric motor, heavy electric products, power device and and air conditioners. | Nil |
| 2. Project Undertaking | CITYPRO MANAGEMENT LIMITED 、Kepirohi Solar Energy Limited | The first phase: 130 days from signing date The second term: 202 days from the start date of the notice, but no later than December 30, 2019 | 2MWP solar photovoltaic power generation system and 2MW-H battery energy storage system installation project | Nil |
| 3. Project Undertaking | Taoyuan International Airport Co., Ltd. | 1. Signing date July 31, 2019 2. Completed in 1213 days from the start date | Taiwan Taoyuan International Airport Terminal 3 Public Facilities Project (1) New Construction | Nil |
| 4. Project Undertaking | CIP Copenhagen Infrastructure Fund | 1. Signing date July 31, 2019 2. 4 years from the signing date | Changfang and Xidao Offshore Wind Farm Substation EARLY WORK AGREEMENT, CONDITION OF CONTRACT | Nil |
| 5. Project Undertaking | Exyte Taiwan Co., Ltd. | 1. Signing date June 27, 2019 2. Maturity date October 2, 2020 | CHG-4 ELECTRICAL WORKS | |

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Balance Sheet

A. Condensed Balance Sheet-IFRS

Unit: NT\$thousand

| Year | | Five-Year Financial Summary | | | | |
|---|---------------------|-----------------------------|------------|------------|------------|------------|
| | | 2015 | 2016 | 2017 | 2018 | 2019 |
| Item | | | | | | |
| Current assets | | 10,117,285 | 10,599,153 | 9,781,308 | 10,343,772 | 9,287,505 |
| Property, plant and equipment | | 3,877,206 | 3,643,481 | 3,761,489 | 3,739,530 | 3,520,118 |
| Intangible assets | | 0 | 0 | 0 | 0 | 0 |
| Other assets | | 53,603,223 | 55,941,991 | 57,232,136 | 58,712,398 | 62,737,576 |
| Total assets | | 67,597,714 | 70,184,630 | 70,774,933 | 72,795,700 | 75,545,199 |
| Current liabilities | Before distribution | 12,426,835 | 9,029,583 | 9,350,717 | 8,468,684 | 11,002,572 |
| | After distribution | 14,028,989 | 14,028,989 | 11,073,033 | 10,239,608 | Note 1 |
| Non current liabilities | | 7,706,837 | 11,423,480 | 9,594,451 | 10,648,356 | 7,836,123 |
| Total liabilities | Before distribution | 20,133,672 | 20,453,063 | 18,945,168 | 19,117,040 | 18,838,695 |
| | After distribution | 21,735,826 | 22,215,433 | 20,667,484 | 20,887,964 | Note 1 |
| Equity attributable to owners of parent | | 47,464,042 | 49,731,567 | 51,829,765 | 53,678,660 | 56,706,504 |
| Capital stock | | 20,026,929 | 20,026,929 | 20,026,929 | 20,026,929 | 19,676,929 |
| Capital surplus | | 7,638,417 | 7,671,889 | 7,628,542 | 7,647,215 | 7,389,577 |
| Retained earnings | Before distribution | 19,363,279 | 21,187,539 | 22,469,336 | 25,221,021 | 26,390,805 |
| | After distribution | 17,761,125 | 19,425,169 | 20,747,020 | 23,450,097 | Note 1 |
| Other equity interest | | 756,980 | 1,166,773 | 2,026,521 | 1,105,058 | 3,570,756 |
| Treasury Stocks | | (321,563) | (321,563) | (321,563) | (321,563) | (321,563) |
| Non-Controlling Interest | | 0 | 0 | 0 | 0 | 0 |
| Total shareholders' equity | Before distribution | 47,464,042 | 49,731,567 | 51,829,765 | 53,678,660 | 56,706,504 |
| | After distribution | 45,861,888 | 47,969,197 | 50,107,449 | 51,907,736 | Note 1 |

Note 1: Earnings allocation has not yet to be passed by shareholders' meeting.

B. Consolidated Condensed Balance Sheet-IFRS

Unit: NT\$thousand

| Year Item | | Five-Year Financial Summary | | | | |
|---|---------------------|-----------------------------|------------|------------|------------|------------|
| | | 2015 | 2016 | 2017 | 2018 | 2019 |
| Current assets | | 42,292,402 | 45,296,310 | 44,262,768 | 43,760,371 | 43,946,576 |
| Fixed assets | | 15,018,217 | 18,463,450 | 17,922,299 | 17,363,543 | 16,742,830 |
| Intangible assets | | 5,541,844 | 5,636,766 | 5,612,315 | 5,557,343 | 5,200,634 |
| Other assets | | 21,581,789 | 22,977,430 | 24,219,575 | 25,300,029 | 33,204,364 |
| Total assets | | 84,434,252 | 92,373,956 | 92,016,957 | 91,981,286 | 99,094,404 |
| Current liabilities | Before distribution | 22,715,038 | 18,958,845 | 18,742,356 | 18,141,380 | 20,293,826 |
| | After distribution | 24,317,192 | 20,721,215 | 20,464,672 | 19,912,304 | Note 1 |
| Non Current liabilities | | 10,286,710 | 17,690,568 | 15,400,464 | 15,348,991 | 17,095,788 |
| Total liabilities | Before distribution | 33,001,748 | 36,649,413 | 34,142,820 | 33,490,371 | 37,389,614 |
| | After distribution | 34,603,902 | 38,411,783 | 35,865,136 | 35,261,295 | Note 1 |
| Equity attributable to owners of parent | | 47,464,042 | 49,731,567 | 51,829,765 | 53,678,660 | 56,706,504 |
| Capital stock | | 20,026,929 | 20,026,929 | 20,026,929 | 20,026,929 | 19,676,929 |
| Capital surplus | | 7,638,417 | 7,671,889 | 7,628,542 | 7,647,215 | 7,389,577 |
| Retained earnings | Before distribution | 19,363,279 | 21,187,539 | 22,469,336 | 25,221,021 | 26,390,805 |
| | After distribution | 17,761,125 | 19,425,169 | 20,747,020 | 23,450,097 | Note 1 |
| Other equity interest | | 756,980 | 1,166,773 | 2,026,521 | 1,105,058 | 3,570,756 |
| Treasury Stocks | | (321,563) | (321,563) | (321,563) | (321,563) | (321,563) |
| Non-Controll Interesting | Before distribution | 3,968,462 | 5,992,976 | 6,044,372 | 4,812,255 | 4,998,286 |
| | After distribution | 3,968,462 | 5,992,976 | 6,044,372 | 4,812,255 | 4,998,286 |
| Total shareholders' equity | Before distribution | 51,432,504 | 55,724,543 | 57,874,137 | 58,490,915 | 61,704,790 |
| | After distribution | 49,830,350 | 53,962,173 | 56,151,821 | 56,719,991 | Note 1 |

Note 1: Earnings allocation has not yet to be passed by shareholders' meeting.

6.1.2 Condensed Statement of Income

A. Condensed Statement of Income-IFRS

Unit: NT\$thousand

| Item \ Year | Five-Year Financial Summary | | | | |
|--|-----------------------------|------------|------------|------------|------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Sales revenue | 21,809,717 | 20,274,047 | 21,301,208 | 20,879,719 | 18,873,312 |
| Gross profit | 4,846,552 | 4,739,556 | 4,576,185 | 4,412,191 | 4,046,442 |
| Operating profit | 1,617,491 | 1,615,152 | 1,507,068 | 1,410,943 | 1,114,970 |
| Non-operating income & expenses | 1,888,953 | 2,007,272 | 1,797,400 | 1,883,866 | 2,387,349 |
| Profit before income tax | 3,506,444 | 3,622,424 | 3,304,468 | 3,294,809 | 3,502,319 |
| Income from operations of continued segments - before tax | 3,177,291 | 3,481,480 | 3,092,358 | 3,150,089 | 3,221,717 |
| Income from discontinued departments | 0 | 0 | 0 | 0 | 0 |
| Profit for the year | 3,177,291 | 3,481,480 | 3,092,358 | 3,150,089 | 3,221,717 |
| Other Comprehensive Income for the year | (2,818,225) | 354,727 | 811,557 | 402,449 | 2,453,917 |
| Total Comprehensive Income for the year | 359,066 | 3,836,207 | 3,903,915 | 3,552,538 | 5,675,634 |
| Profit (loss) attributable to owners of parent | 3,177,291 | 3,481,480 | 3,092,358 | 3,150,089 | 3,221,717 |
| Profit (loss) attributable to non-controlling interest | 0 | 0 | 0 | 0 | 0 |
| Total Comprehensive Income for the year profit (loss) attributable to owners of parent | 359,066 | 3,836,207 | 3,903,915 | 3,552,538 | 5,675,634 |
| Total Comprehensive Income for the year profit (loss) attributable to non-controlling interest | 0 | 0 | 0 | 0 | 0 |
| Earnings per share | 1.60 | 1.76 | 1.56 | 1.59 | 1.65 |

B. Consolidated Condensed Statement of Income-IFRS

Unit: NT\$thousand

| Item \ Year | Five-Year Financial Summary | | | | |
|--|-----------------------------|------------|------------|------------|------------|
| | 2014 | 2016 | 2017 | 2018 | 2019 |
| Sales revenue | 48,598,573 | 49,923,836 | 50,942,521 | 50,104,927 | 47,909,358 |
| Gross profit | 12,400,311 | 13,134,395 | 12,196,268 | 12,052,659 | 11,481,649 |
| Operating profit | 3,787,627 | 4,189,481 | 3,496,200 | 3,520,486 | 3,536,445 |
| Non-operating income & expenses | 775,644 | 743,810 | 857,704 | 765,802 | 903,009 |
| Profit before income tax | 4,563,271 | 4,933,291 | 4,353,904 | 4,286,288 | 4,439,454 |
| Income from operations of continued segments - before tax | 3,514,116 | 4,036,998 | 3,544,248 | 3,475,969 | 3,518,780 |
| Income from discontinued departments | 0 | 0 | 0 | 0 | 0 |
| Profit for the year | 3,514,116 | 4,036,998 | 3,544,248 | 3,475,969 | 3,518,780 |
| Other Comprehensive Income for the year | (2,953,958) | 323,292 | 781,789 | 433,011 | 2,520,910 |
| Total Comprehensive Income for the year | 560,158 | 4,360,290 | 4,326,037 | 3,908,980 | 6,039,690 |
| Profit (loss) attributable to owners of parent | 3,177,291 | 3,481,480 | 3,092,358 | 3,150,089 | 3,221,717 |
| Profit (loss) attributable to non-controlling interest | 336,825 | 555,518 | 451,890 | 325,880 | 297,063 |
| Total Comprehensive Income for the year profit (loss) attributable to owners of parent | 359,066 | 3,836,207 | 3,903,915 | 3,552,538 | 5,675,634 |
| Total Comprehensive Income for the year profit (loss) attributable to non-controlling interest | 201,092 | 524,083 | 422,122 | 356,442 | 364,056 |
| Earnings per share | 1.60 | 1.76 | 1.56 | 1.59 | 1.65 |

6.1.3 Auditors' Opinions from 2015 to 2019

| Year | CPA Firm | CPA's Name | Auditing Opinion |
|------|--------------------------------|---------------------------------|---------------------------------|
| 2019 | PricewaterhouseCoopers, Taiwan | Wu, Yu-Lung Chou, Chien-Hung | Unqualified Opinion(Other Item) |
| 2018 | PricewaterhouseCoopers, Taiwan | Wu, Yu-Lung Chou, Chien-Hung | Unqualified Opinion(Other Item) |
| 2017 | PricewaterhouseCoopers, Taiwan | Wu, Yu-Lung Chou, Chien-Hung | Unqualified Opinion(Other Item) |
| 2016 | PricewaterhouseCoopers, Taiwan | Audrey Tseng Dexter Chang | Unqualified Opinion |
| 2015 | PricewaterhouseCoopers, Taiwan | Audrey Tseng Dexter Chang | Modified Unqualified Opinion |

6.2 Five-Year Financial Analysis

6.2.1 Five-Year Financial Analysis-IFRS

| Item | | Year | Financial analysis in the past five years | | | | |
|-------------------------|---|------|---|----------|----------|----------|----------|
| | | | 2015 | 2016 | 2017 | 2018 | 2019 |
| Financial structure (%) | Ratio of liabilities to assets | | 29.78 | 29.14 | 26.77 | 26.26 | 24.94 |
| | Ratio of long-term capital to fixed assets | | 1,354.68 | 1,603.47 | 1,566.42 | 1,656.05 | 1,761.49 |
| Solvency (%) | Current ratio | | 81.41 | 117.38 | 104.60 | 122.14 | 84.41 |
| | Quick ratio | | 51.71 | 71.64 | 67.15 | 74.89 | 48.97 |
| | Times interest earned ratio | | 31.27 | 30.34 | 36.02 | 35.78 | 35.91 |
| Operating ability | Accounts receivable turnover (turns) | | 5.24 | 5.01 | 5.30 | 5.63 | 5.47 |
| | Average collection period | | 69.66 | 72.85 | 68.87 | 64.83 | 66.73 |
| | Inventory turnover (turns) | | 5.20 | 4.89 | 5.43 | 5.58 | 5.20 |
| | Accounts payable turnover (turns) | | 3.71 | 3.50 | 3.46 | 3.59 | 3.65 |
| | Average days in sales | | 70.19 | 74.64 | 67.22 | 65.41 | 70.19 |
| | Fixed assets turnover (turns) | | 5.57 | 5.39 | 5.75 | 5.57 | 5.20 |
| | Total assets turnover (turns) | | 0.32 | 0.29 | 0.30 | 0.29 | 0.25 |
| Profitability | Return on total assets (%) | | 4.82 | 5.20 | 4.50 | 4.49 | 4.45 |
| | Return on stockholders' equity (%) | | 6.57 | 7.16 | 6.09 | 5.97 | 5.84 |
| | Ratio of pre-tax income to issued capital (Note7) | | 17.51 | 18.09 | 16.50 | 16.45 | 17.80 |
| | Profit ratio (%) | | 14.57 | 17.17 | 14.52 | 15.09 | 17.07 |
| | Earnings per share (\$) | | 1.60 | 1.76 | 1.56 | 1.59 | 1.65 |
| Cash flow | Cash flow ratio (%) | | 21.81 | 25.78 | 30.30 | 14.06 | 16.85 |
| | Cash flow adequacy ratio (%) | | 86.16 | 81.11 | 76.63 | 67.68 | 68.53 |
| | Cash reinvestment ratio (%) | | 0.80 | 1.03 | 1.52 | -0.79 | -0.13 |
| Leverage | Operating leverage | | 3.68 | 3.49 | 3.68 | 3.77 | 4.19 |
| | Financial leverage | | 1.08 | 1.08 | 1.07 | 1.07 | 1.10 |
| Key Indicator | Sales growth (%) | | -10.09 | -7.04 | 5.07 | -1.98 | -9.61 |
| | Profit after tax growth (%) | | -21.80 | 9.57 | -11.18 | 1.87 | 2.27 |

6.2.2 Consolidated Five-Year Financial Analysis-IFRS

| Item | | Year | Financial analysis in the past five years | | | | |
|-------------------------|---|------|---|--------|--------|--------|--------|
| | | | 2015 | 2016 | 2017 | 2018 | 2019 |
| Financial structure (%) | Ratio of liabilities to assets | | 39.09 | 39.68 | 37.10 | 36.41 | 37.73 |
| | Ratio of long-term capital to fixed assets | | 377.76 | 369.12 | 381.31 | 398.75 | 414.38 |
| Solvency (%) | Current ratio | | 186.19 | 238.92 | 236.16 | 241.22 | 216.55 |
| | Quick ratio | | 129.42 | 170.96 | 168.32 | 168.39 | 157.24 |
| | Times interest earned ratio | | 22.99 | 19.47 | 19.18 | 20.66 | 17.95 |
| Operating ability | Accounts receivable turnover (turns) | | 4.62 | 4.37 | 4.42 | 4.64 | 4.59 |
| | Average collection period | | 79.00 | 83.52 | 82.58 | 78.66 | 79.52 |
| | Inventory turnover (turns) | | 2.90 | 2.98 | 3.19 | 3.11 | 3.21 |
| | Accounts payable turnover (turns) | | 4.99 | 5.03 | 4.94 | 4.84 | 4.83 |
| | Average days in sales | | 125.86 | 122.48 | 114.42 | 117.36 | 113.71 |
| | Fixed assets turnover (turns) | | 3.29 | 2.98 | 2.80 | 2.84 | 2.81 |
| | Total assets turnover (turns) | | 0.58 | 0.56 | 0.55 | 0.54 | 0.50 |
| Profitability | Return on total assets (%) | | 4.41 | 4.82 | 4.06 | 3.97 | 3.90 |
| | Return on stockholders' equity (%) | | 6.71 | 7.53 | 6.24 | 5.97 | 5.86 |
| | Ratio of Pre-tax income to issued capital (%) (Note7) | | 22.79 | 24.63 | 21.74 | 21.40 | 22.56 |
| | Profit ratio (%) | | 7.23 | 8.09 | 6.96 | 6.94 | 7.34 |
| | Earnings per share (\$) | | 1.60 | 1.76 | 1.56 | 1.59 | 1.65 |
| Cash flow | Cash flow ratio (%) | | 24.40 | 25.58 | 31.43 | 23.86 | 29.21 |
| | Cash flow adequacy ratio (%) | | 118.38 | 117.84 | 122.23 | 116.89 | 126.69 |
| | Cash reinvestment ratio (%) | | 3.86 | 3.26 | 4.12 | 2.57 | 3.82 |
| Leverage | Operating leverage | | 3.79 | 3.57 | 4.74 | 3.96 | 3.93 |
| | Financial leverage | | 1.06 | 1.07 | 1.07 | 1.07 | 1.08 |
| Key Indicator | Sales growth (%) | | -9.58 | 2.73 | 2.04 | -1.64 | -4.38 |
| | Profit after tax growth (%) | | -20.17 | 14.88 | -12.21 | -1.93 | 1.23 |

6.3 Inspection Report of Audit Committee

(This English version is only a translation of the Chinese version.)

The Audit Committee has duly inspected and approved the financial statements for 2019 (include consolidated financial statements), the business report and proposed profit distribution plan prepared and proposed by the Board of Directors, with the financial statements having been audited and certified by Pricewaterhouse Coopers, hereby submit this report pursuant to Article 14 of Securities and Exchange Act and Article 219 of the Company Act.

To

General Shareholders Meeting 2020

TECO Electric & Machinery Co., Ltd

Audit Committee Convener : Ting-Wong, Cheng

Date: March 17, 2020

VII. Review of Financial Status, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Unit: NT\$thousand

| Item \ Year | 2019/12/31 | 2018/12/31 | Difference | | Remark |
|--|-------------------|-------------------|------------------|-----------|--------|
| | | | Amount | % | |
| Current Assets | 43,946,576 | 43,760,371 | 186,205 | 0 | |
| Fixed Assets | 16,742,830 | 17,363,543 | (620,713) | (4) | |
| Intangible Assets | 5,200,634 | 5,557,343 | (356,709) | (6) | |
| Other Assets | 33,204,364 | 25,300,029 | 7,904,335 | 31 | Note 1 |
| Total Assets | 99,094,404 | 91,981,286 | 7,113,118 | 8 | |
| Current Liabilities | 20,293,826 | 18,141,380 | 2,152,446 | 12 | |
| Non Current Liabilities | 17,095,788 | 15,348,991 | 1,746,797 | 11 | |
| Total Liabilities | 37,389,614 | 33,490,371 | 3,899,243 | 12 | |
| Equity attributable to owners of parent | 56,706,504 | 53,678,660 | 3,027,844 | 6 | |
| Capital stock | 19,676,929 | 20,026,929 | (350,000) | (2) | |
| Capital surplus | 7,389,577 | 7,647,215 | (257,638) | (3) | |
| Retained Earnings | 26,390,805 | 25,221,021 | 1,169,784 | 5 | |
| Other equity | 3,249,193 | 783,495 | 2,465,698 | 315 | Note 2 |
| Non Controlling Interest | 4,998,286 | 4,812,255 | 186,031 | 4 | |
| Total Stockholders' Equity | 61,704,790 | 58,490,915 | 3,213,875 | 5 | |
| Note 1: The reason for the increase in other assets: mainly due to the adoption of IFRS 16 for the first time and recognition of lease contracts as right-of-use assets. | | | | | |
| Note 2: The reason for the increase in other equity: mainly because the financial assets held by the Group measured by fair value through other comprehensive profit and loss generated unrealized value-added benefits in 2019. | | | | | |

7.2 Analysis of Operating Results

7.2.1 Operating Results

Unit: NT\$thousand

| Item \ Year | 2019 | 2018 | Difference | | Remark |
|--|--------------|--------------|------------|---------|--------|
| | | | Amount | % | |
| Sales Revenue | 47,909,358 | 50,104,927 | | | |
| Operating Costs | (36,428,606) | (38,052,253) | | | |
| Gross Profit | 11,480,752 | 12,052,674 | -571,922 | (5) | |
| Realized(Unrealized) Profit from Sales | 897 | (15) | 912 | (6,080) | Note 1 |
| Gross Profit - Net | 11,481,649 | 12,052,659 | -571,010 | (5) | |
| Operating Expenses | (7,945,204) | (8,532,173) | 586,969 | (7) | |
| Operating Profit | 3,536,445 | 3,520,486 | 15,959 | 0 | |
| Non-operating Income and Gains | 903,009 | 765,802 | 137,207 | 18 | Note 2 |
| Profit before income tax | 4,439,454 | 4,286,288 | 153,166 | 4 | |
| Tax Expense | (920,674) | (810,319) | -110,355 | 14 | |
| Net Income | 3,518,780 | 3,475,969 | 42,811 | 1 | |
| Other comprehensive income | 2,520,910 | 433,011 | 2,087,899 | 482 | Note 3 |
| Total comprehensive income | 6,039,690 | 3,908,980 | 2,130,710 | 55 | Note 4 |
| Analysis and explanation for changes: | | | | | |
| 1. Mainly due to the decrease in inventory at the end of the current year, resulting in an increase in realized profit. | | | | | |
| 2. Mainly due to the increase in interest income, dividend income, and financial asset appreciation benefits measured at fair value through profit or loss, resulting in an increase in net non-operating income. | | | | | |
| 3. Mainly due to the increase in the value-added benefits of financial assets measured at fair value through other comprehensive income in the current year, resulting in an increase in other comprehensive benefits. | | | | | |
| 4. In summary, the total comprehensive benefits of this year will increase. | | | | | |

7.2.2 Change in gross profit: No need of analysis since the change is less than 20%.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year (2019)

| Cash and Cash Equivalents, Beginning of Year (1) | Net Cash Flow from Operating Activities (2) | Cash Outflow (Inflow) (3) | Cash Surplus (Deficit) (1)+(2)-(3) | Remedy for Cash Deficit | |
|---|---|---------------------------|------------------------------------|-------------------------|-----------------|
| | | | | Investment Plans | Financing Plans |
| 17,535,566 | 5,928,542 | 4,352,737 | 19,111,371 | - | - |
| <p>A. Analysis of change in cash flow:</p> <p>a. Operating activities: Through lean inventory management in 2019, no matter whether the inventory balance of TECO itself or major affiliates at home and abroad decreased compared with those at the beginning of the period, the revenue from TECO's sales to affiliates companies also fell due to impact. Overall, the decline in the number of days benefiting from consolidated inventory turnover and the acceleration of receivables recovery have effectively improved capital efficiency and increased cash inflows.</p> <p>b. Investing activities: Purchase of real estate, plant and equipment is the main reason for cash outflow from investment activities</p> <p>c. Financing activities: The payment of cash dividends, payment of borrowings and lease liabilities are the main causes of cash outflows from financing activities.</p> <p>B. Remedy and liquidity analysis for insufficient cash: not applicable.</p> | | | | | |

7.3.2 Cash Flow Analysis for the Coming Year

Unit: NT\$thousand

| Cash and Cash Equivalents, Beginning of Year (1) | Estimated Net Cash Flow from Operating Activities (2) | Estimated Cash Outflow (Inflow) (3) | Cash Surplus (Deficit) (1)+(2)-(3) | Remedy for Cash Deficit | |
|--|---|-------------------------------------|------------------------------------|-------------------------|-----------------|
| | | | | Investment Plans | Financing Plans |
| 19,111,371 | 4,101,179 | 9,762,108 | 13,450,441 | - | - |
| <p>A. Analysis of change in cash flow in the current year:</p> <p>a. Operating activities: Affected by the Covid-19 epidemic, revenue is expected to decline compared with 2019, while inventory is being increased to ensure the supply of raw materials is not in doubt. Although this year's business activities still maintain a net cash inflow, the inflow will be greater than in previous years decline.</p> <p>b. Investing activities: The core business aims at energy saving, intelligence and automation, and expands equipment capital expenditures and industrial mergers and acquisitions. It is expected that investment activities in this year will generate net cash outflows, and the outflow will increase significantly from previous years.</p> <p>c. Financing activities: In addition to the maturity of corporate bonds this year, the cash dividend payment rate also increased from last year. Therefore, it is expected that this year's financing activities will generate a net cash outflow of a greater magnitude than in the past. Considering that the cash on the account is scattered among the accounts of related companies, under the situation of the cash inflow of the individual industry, it must be responded to through bank financing or capital increase.</p> <p>B. Remedy for Cash Deficit and Liquidity Analysis: Not Applicable</p> | | | | | |

7.4 Major Capital Expenditure Items

7.4.1 Major Capital Expenditure Items and Source of Capital

Unit: NT\$thousand

| Project | Actual or Planned Source of Capital | Actual or Planned Date of Completion | Total Capital | Actual or Expected Capital Expenditure | |
|--|-------------------------------------|--------------------------------------|---------------|--|-----------|
| | | | | 2019 | 2020~2021 |
| 2019 Capital Expenditure – new equipment, equipment renewal and capacity expansion | Working Capital | 2019/12/31 | 1,022,000 | 1,022,000 | |
| 2020 Capital Expenditure – new equipment, equipment renewal and capacity expansion | Working Capital | 2020/12/31 | 1,460,000 | | 1,460,000 |

7.4.2 Expected Benefits

In addition to increasing the output of large size and small size motor, home appliances and system automation, the above equipment renewal projects are expected to help reduce production costs and improve the quality of products.

7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

7.5.1 Equity Investment Policy

In response to economic development trend and increasing competition, both on domestic and overseas fronts, investments are mainly for vertical or horizontal integration of the company's core businesses, including electric machinery, energy engineering, and home appliances, for materialization of the corporate vision of "energy conservation, emission reduction, intelligence and automation" and strengthen digital transformation, thereby actively invest in green energy related projects to build Asia's largest industrial motor intelligent production line in Vietnam, offshore wind power construction operations, and participate in related land substation business opportunities, and gradually expand overseas market share and gain profit through global production and sales layout.

7.5.2 Major reasons for profits or loss:

The company recognized NT\$30,410 thousand of investment income based on equity method in 2019, less than 2018's NT\$114,143 thousand, due to decreased income from investments in TPI Bearings.

7.5.3 Investment plan for the next year

In the coming year, the investment plan will focus on energy saving, intelligence, automation, and digitalization, in addition to equipment replacement. Newly developed energy-saving permanent magnet high-efficiency motors for heavy power and green energy businesses, electric vehicle motors, automated electrician winding lines, rotor visual dynamic balancing, and automatic magnetization and magnetic detection equipment, etc. R & D of servo control modules in the field of digitalization and non-industrial control (M + I all-in-one machine, collaborative robot joint system, industrial computer server, production line and warehouse handling and receiving robot, etc.), intelligent automatic control technology for energy engineering. Actively invest in solar photovoltaic power generation systems, micro-grid systems, energy storage systems and energy management equipment, as well as home appliance business planning, full-line frequency conversion energy saving and high-end high-efficiency energy-saving commercial space development, etc. Also applies the IIoT technology developed by the company, introduces key process automation and globalized war room systems, and comprehensively monitors and improves the overall efficiency of the plant's equipment in a digital management manner. In addition, Nangang Biotechnology Park and India's Bangalore International Science and Technology Park will develop the park's infrastructure and service centers one after another this year and next year, providing R & D, breeding and other spaces, as well as automation and technology-based standard factories..

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

A Effects of Changes in Interest Rates on Corporate Finance, and Future Response Measures

| | 2019 | Unit: NT\$Thousand |
|----------------------------|------|--------------------|
| Interest Income or Loss(1) | | 54,689 |
| Sales Revenues(2) | | 47,909,358 |
| Operating Income(3) | | 3,536,445 |
| (1)/(2) | | 0.11% |
| (1)/(3) | | 1.55% |

The Company's net interest expense for the year 2019 was NT \$ 54,689 thousand, accounting for 0.11% of annual operating income and 1.55% of operating profit, which represented an increase from the year 2018.

Looking forward to this year, the United States cut interest rates sharply, Europe and Japan continued to expand loose monetary policy, and China also expanded loose monetary policy to pay attention to market liquidity. However, global funds have been tightened slightly due to poor economic outlook, and overall there is little chance of interest rate rise.

In order to reduce the impact of interest rate changes, the company will timely adjust the position of Taiwan and foreign currency borrowings, or reduce interest rate risk by fix rate corporate bonds etc.

B. Effects of Changes in Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

2019

Unit: NT\$thousand

| | |
|--------------------------|------------|
| Exchange Gain or Loss(1) | (39) |
| Sales Revenues(2) | 47,909,358 |
| Operating Income(3) | 3,536,445 |
| (1)/(2) | (0.00008%) |
| (1)/(3) | (0.0011%) |

The company's 2019 foreign exchange loss was NT \$ 39 thousands, which was mainly due to the natural risk aversion achieved by the overseas related companies and the foreign exchange position of the parent company, which caused conversion gains and losses accounted for a small percentage of overall revenue. Looking forward to this year, the global economy will be negatively affected by Covid-19. The central banks of all countries have adopted quantitative easing policy, the market volatility has increased greatly, the currency trend of the United States as the main trading country are volatile, and foreign exchange risk management challenges are high. In addition to continuing paying attention to exchange rate fluctuations, the company implements the following countermeasures.

- a. In addition to natural risk hedging associated with positions of assets and liabilities, the company will undertake substantial risk hedging via forward forex transactions.
 - b. The financial department will maintain close contact with the forex department of corresponding financial institutions and constantly collect information on change in exchange rate, so as firmly grasp trend and change in international exchange rates and respond actively, in forward forex transactions and foreign exchange settlement, to offset the adverse influence of exchange-rate swings.
 - c. The financial department regularly do internal evaluation reports for hedge on net asset and liability of foreign currency, so that the management team can determine if the company do the hedge or not.
- C. The impact on company's performance resulted from inflation and counter measures

The main material that the company mainly used are steel, copper and alumini. It affects purchase cost to a certain extent, however, it is expected that the recovery of world economy and oil&gas, mining exploring will raise the company's operation.

TECO purchases materials using contract to negotiate prices. When the price grows, TECO can negotiate with the suppliers. In this case, there is no significant disadvantage toward company's performance based upon price vibration. However, the company will still evaluate cautiously the trend of metal price and match up the operation drafting the appropriate strategy.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

- A. The company abstains from high-risk and high leveraged investments.
- B. At the end of 2019, outstanding loans extended by the company amounted to NT\$206,538 thousands.
- C. In 2019, the outstanding amount of the endorsement and guarantee extended by the company reached NT\$1,608,066 thousand, for the company's subsidiaries, affiliates, and business partners. The company has obtained the financial statements and business profile information of the endorsement guarantee company at ordinary times, analyzes its profit situation, in order to evaluate the risk of the company's endorsement guarantee, and plans the risk reduction plan in advance

- D. In 2019, derivatives held by the company was forward exchange trading, whose corresponding traders were mainly international financial institutions with outstanding credit. In addition, the company traded with many financial institutions to diversify risks, minimizing the possibility for default. Therefore, credit risk for the company in derivatives trading is very low. Moreover, derivatives held by the company are mainly for the purpose of risk hedging and the ensuing income/loss can be offset by the income/loss in the risk-hedging category, minimizing the market risk.
- E. The company has formulated a number of investment guidelines for cutting risk, including “Procedure for the Acquisition and Disposal of Assets,” “Procedure for Lending Capital to the Others”, “Procedure for the Endorsement and Guarantee,” and “Procedure for the Trading and Disposal of Derivatives.”

7.6.3 Future Research & Development Projects and Corresponding Budget

In recent years, TECO has gathered the R & D strength and market experience of the company's R & D units at home and abroad, and through the cooperation of industry, education and research, has strengthened its core business and actively invested in the green energy industry. In wind power generation, solar power converters, rare earth permanent magnet motors, vehicle electric power components, robot arm transmission motors, medium voltage inverters, sensor-free feedback permanent magnet motor drives, low-torque precision servo motors, high-speed spindle motors, IE5 synchronous reluctance motor driver, high-order algorithm, Internet of Things application, etc., launched several important R & D projects.

For the operational needs in response to mid- and long-term research and development of new technologies and products, and short-term product cost-effectiveness improvement, TECO's R & D team actively seeks external resources, and operates technical consultation, cooperation, introduction, etc.

Starting from existing core technologies such as rotating electrical machine and generator design, motor drive and design, power electronic control and design, gateway technology, etc., it integrates new market needs, industrial specifications, new material applications, sensor application technologies, wireless network technology, and In the field of green energy industry technology, coordinate overall R & D strategy and technical planning

The company formulates its future R&D plan on the following bases:

- A. Grasp and analysis of industrial development, government policy, and market trend;
- B. The establishment and rooting of key technologies;
- C. Competitiveness relative to rivals in Europe, the U.S., and Japan;
- D. Global market positioning and technological integration;
- E. Grasp of R&D progress and quality.

Therefore, TECO is expected to continue or initiate the following R & D directions in 2020 in order to comply with the new European regulations in the existing product market and develop high-value-added innovative applications for existing marketing channels, while seeking specific commercialization of emerging technologies and creating new market opportunity, while seeking the specific commercialization of emerging technologies and the creation of new markets.

- (a) Development of new-generation steel shell motor
- (b) Development of series products of ultra-high power density induction motors
- (c) Development of high torque permanent magnet motor
- (d) Development of high-speed permanent magnet motor and driver products
- (e) Development of synchronous reluctance high-efficiency motor products

- (f) Development of electronic control motor technology for air conditioning
- (g) Development of digital motor products
- (h) Research and development of low energy consumption inverter refrigerator
- (i) R & D of automotive motors and drives and joint development of complete vehicles
- (j) Development of components and drives for offshore wind turbines
- (k) Research and development of four-quadrant control of medium voltage inverter and industrial network and frequency conversion switching
- (l) High-end AFE and controller product technology research and development of electronic control product series
- (m) Development of KW-level four-quadrant wind power converter
- (n) Development of high IPLV magnetic levitation centrifugal unit
- (o) HVAC air conditioning system group control energy saving solution development
- (p) HVAC air conditioning system cloud monitoring expert diagnosis system development
- (q) R & D of air-cooled modular chiller
- (r) Development of full DC inverter air-cooled box machine
- (s) Extended research and development of high-efficiency inverter commercial refrigerator series
- (t) Development of efficient and short servo motor
- (u) IE5 synchronous reluctance motor driver development
- (v) Voice technology development for meal delivery robot
- (w) Development of image recognition technology for meal delivery robots
- (x) AGV multi-vehicle management technology development
- (y) Matrix converter prototype development
- (z) Development of next-generation high-performance servo drives
- (aa) Development of multi-axis servo technology
- (bb) Development of compact DC servo products
- (cc) EtherCat thin AC servo product development
- (dd) Ultra-thin and thin AC servo product development
- (ee) Development of hardware and software for the next-generation single-axis servo drive prototype
- (ff) Adjusting characteristics and selecting functional technology development
- (gg) Development of higher order adjustment function technology
- (hh) Development of speed ripple compensation function technology
- (ii) Harmonic suppression technology development
- (jj) I / O filter development
- (kk) Matrix converter system integration
- (ll) AGV multi-vehicle control technology
- (mm) Independent follow-up technology development
- (nn) mm Wave technology development
- (oo) AGV AI technology development

(pp) Research and development of binary extremely low temperature refrigeration system

(qq) Evaluation of the influence of extremely low temperature environment on motor characteristics

(rr) Industrial Internet of Things:

1. WiFi application system development
2. Application of edge computing system

(ss) Smart mobile platform

1. Modularization of vehicle electromechanical system integration
2. Collection and analysis of vehicle sensing data

(tt) Data analysis:

1. Development of equipment predictive maintenance technology

(uu) Visual positioning and inspection module-applied to factory automation project integration

1. Modular design image processing system architecture
2. Modular development of image processing functions

The company's general research institute oversees the overall R&D strategy, technology deployment and ongoing product R&D, with an eye on technological deployment and product development in short-, medium-, and long-term, including:

| Term of R&D | Focus | Major R&D items |
|-------------|---|--|
| Short-term | Develop new-product application market, Enhance performance of existing products & Enhance product profitability and market share | High-performance servo motor and driver development |
| | | Development of high power density motor series |
| | | Steel shell motor product optimization |
| | | Servo system controller development |
| | | Optimization of cast iron motor products |
| | | Research and development of commercial full DC inverter air-cooled box-type air conditioning units |
| | | Extended research and development of high-efficiency inverter commercial refrigerator series |
| | | Sinusoidal sensorless drive technology development |
| | | Servo parameter automatic adjustment technology |
| | | Car electric power kit development |
| | | Smart battery and battery management system development |
| | | Development of brake energy recharge technology |
| | | Energy-saving electric vehicle verification technology research and development |
| | | Development of verification technology for vehicle electric power batteries |
| | | Single axis high performance servo drive |
| | | Matrix converter technology development |
| | | AGV product development |
| | | Single-axis high-performance servo drive technology development |
| | | Development of next-generation inverter prototype |
| Mid-term | Accumulation of core technological strength & Development of new technological strength | Multi-vehicle AGV system development |
| | | Medium and high voltage inverter technology research and development |
| | | Research and development of high-order frequency conversion technology |
| | | New Generation Steel Shell Motor (FSR) Product Development |

| Term of R&D | Focus | Major R&D items |
|-------------|----------------------------------|--|
| | | High-speed permanent magnet motor and driver development |
| | | High torque permanent magnet motor development |
| | | Ultra-high efficiency magnetoresistive motor product development |
| | | Electronic Control Motor (ECM) Technology Development |
| | | Development of thin motor insulation system |
| | | Digital home application technology on smart phones |
| | | Gateway technology of electronic control product series |
| | | Development of high IPLV magnetic levitation centrifugal unit |
| | | HVAC air conditioning system cloud monitoring expert diagnosis system opened |
| | | HVAC air-conditioning system energy-saving solution development |
| | | Extended development of indoor service machines |
| | | Multi-axis servo drive technology development |
| | | Serialization of next-generation inverter |
| | | Outdoor AGV technology development |
| Long-term | Deployment in new business scope | Digital motor product service development |
| | | E-House system integration |
| | | Integrated research and development of machine networking system |
| | | Integrated R & D of micro smart grid system |
| | | Focus on market research and development of precision servo system |
| | | New generation digital home appliance system research and development |
| | | MEMS research and development in high-efficiency large-scale power system |
| | | New generation industrial servo system R & D |
| | | Regional market-oriented industrial technology research and development |
| | | Integrated R & D of multi-axis servo system |
| | | Development of outdoor AGV prototype |
| | | Serialization of next-generation inverter |
| | | Multi-axis servo platform system integration research and development |
| | | Next-generation all-in-one machine development |
| | | Driverless technology research and development |

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

None

7.6.5 Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales

Given the trend of shrinking workforce and green energy, the company takes into account global development trend, the government's industrial policy, own technological level, and growth potential of related industries. In addition to consolidating the company's technological edge in high-performance motive-force motor, application of environment-friendly refrigerant in home applications, and variable-frequency energy conservation, the company will intensively study international technological development and market trend for introduction of innovative methodology. In response to the trend of

shrinking employment population, the company will plan biotechnology forum, long-term technological development roadmap, and strategy and timetable for completion of development plan. In line with the need of green energy, the company will develop electric-car motor, wind turbine, peripherals of smart grid, energy-saving home appliances, and split air conditioning systems.

The company has set up forward-looking technology consulting committee in 2017, to track cutting-edge forward-looking technologies. Add R&D on gateway technology for electric-control product series, R&D on remote-monitoring technology for motor and generator, R&D on high-end servo motor drive, and R&D on reluctance motor and drive, and R&D on digital-home and mobile communications-linked security products. In addition, the company will associate various business air conditioners with applications of the Internet of things, intensify intensity and depth of technological detection, further strengthen horizontal technological cooperation among affiliates, and actively seek foreign technological cooperation, so as to enrich R&D contents and meet long-term needs of the society.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The company has been pursuing sustained growth via "pluralized management" and "global deployment," and has been striving to project a quality corporate image for a globalized group by manifesting in-depth social care via TECO Technology Foundation and rigorous demand for quality and service. The company's crisis management plan covers its production bases worldwide and has helped the company respond properly to the ordeal of major incidents in recent years, thanks to the company's constant effort in fostering crisis-management capability. In the future, the company will continue simulating the outbreak of major incidents and formulate response plans, in order to safeguard the interests of shareholders.

7.6.7 Expected Benefits from Risks Relating to and Response to Merger and Acquisition Plans

None

7.6.8 Expected Benefits from Risks Relating to and Response to Factory Expansion Plans

None

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

None

7.6.10 Effects of Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

The appointed representative of TECO's corporate director Yinger International Investment Co., Ltd.: Po-Chi, Huang transferred 4,270,085 shares at the price of shares under Yinger International

Investment (Share) Co., Ltd on 2019/01/23. This item is not an actual equity transfer transaction. The remaining directors (supervisors have been replaced by audit committee members) and 10% of the major shareholders have not been transferred or replaced in a large amount in recent years. Therefore, there is no significant impact and risk on the company.

7.6.11 Effects of Risks Relating to and Response to Changes in Control over the Company

None

7.6.12 For litigation and non-litigation cases, specify the company and directors, supervisors, president, chief executive, and major shareholders with over 10% of shareholding, as well as affiliates. For major litigation, non-litigation, or administrative disputes with major effects on the interests of shareholders or stock prices, disclose the facts, target value, starting dates for litigation, major parties involved, and the status of the cases up to the publication of the yearbook

None.

7.6.13 Other Major Risks

In order to strengthen information security management, ensure the confidentiality, integrity and availability of information, as well as the reliability of information equipment and network systems, the company has established information security policies as guidelines for information security risk management in company regulations. At the same time, under the information security risk management framework, build intrusion prevention systems / email anti-spam systems / endpoint anti-virus systems to gradually complete information security protection. Also regularly conducts data off-site backup systems and disaster recovery mechanism exercises to ensure that services are not interrupted.

8.1.2 Information Regarding Affiliated Companies

Unit: NT\$thousand

| Company | Date of Incorporation | Paid-in Capital | Major Business |
|--|-----------------------|-----------------|---|
| Tong Dai Co., Ltd. | 1972.06 | 79,194 | Sales of Motors |
| TECO International Investment Co., Ltd. | 1989.06 | 675,374 | Investment Activity |
| TECO Holding USA Inc. | 1995.03 | 800,676 | Investment and Trading in USA |
| TECO Electric & Machinery (Pte) Ltd. Singapore | 1972.09 | 178,240 | Sales of Motors in Singapore and Other Countries Nearby |
| TECO Electric Europe Limited | 1992.03 | 270,343 | Sales of Motors in Europe |
| Tong-An Assets Management & Development Co., Ltd. | 1997.07 | 3,884,237 | Real Estate Business |
| Tong-An Investment Co., Ltd. | 1998.08 | 4,977,151 | Investment Activity |
| TECO Electro Devices Co., Ltd. | 1998.03 | 172,148 | Manufacture of Stepping Motors |
| Tecnos International Consultant Co., Ltd. | 1998.06 | 105,088 | Business Consulting and Human Resource Services |
| United View Global Investment Co., Ltd. (UVG) | 1999.08 | 7,057,695 | Investment Holding Company |
| Information Technology Total Services Co., Ltd. | 1990.12 | 273,234 | Sales of Software |
| Tesen Electric & Machinery Co., Ltd. | 2001.03 | 200,000 | Manufacture of Home Appliance |
| GD TECO Taiwan Co., Ltd. | 2002.02 | 63,974 | Manufacture of IC Projects |
| Yatec Engineering Corporation | 1993.01 | 120,100 | Electric System Development and Service |
| Taian (Subic) Electric Co., Inc. | 1997.03 | 200,587 | Manufacture and Sales of Tools and Equipment |
| Taian (Malaysia) Electric Sdn. Bhd. | 1989.03 | 183,261 | Manufacture and Sales of Tools and Equipment |
| An-Tai International Investment Co., Ltd. | 1990.09 | 326,536 | Investment Activity |
| Micropac (BVI) Worldwide Investment Co., Ltd. | 1993.03 | 446,222 | International Trading |
| Taian-Etacom Technology Co., Ltd. | 1999.12 | 83,000 | Manufacture of Bus Way Components |
| E-Joy International Co., Ltd. | 2004.06.25 | 101,500 | Distributor of Home Appliance |
| A-Ok Technical Co., Ltd. | 2004.10.07 | 22,500 | Repair of Home Appliance |
| Taiwan Pelican Express Co., Ltd. | 1999.09.10 | 954,670 | Home Delivery Service |
| Tasia (Pte) Ltd. | 1995.12 | 23,661 | Investment Activity |
| Asia Air Tech Industrial (Pte) Ltd. | 1999.06 | 254,830 | Investment Activity |
| TECO (Dong Guang) Air Conditioning Equipment Co., Ltd. | 1999.11.09 | 302,887 | Manufacture of Air Conditioning Equipment |
| TECO Australia Pty. Ltd. | 1993.04 | 630,150 | Sales of Motors and Home Appliance in Australia |
| TECO New Zealand Ltd. | 1983.04 | 60,561 | Sales of Home Appliances |
| Great Tecco Motor Ltd. | 2000.01.27 | 3,658,346 | Investment Activity |
| Wuxi TECO Electric & Machinery Co., Ltd. | 2002 | 1,442,606 | Manufacture and Sales of Motors |
| TECO Industrial (Malaysia) Sdn. Bhd. | 1989.06 | 551,268 | Manufacture and Sales of Motors in Malaysia |
| P.T TECO Elektro, Indonesia | 1997.08.14 | 762,991 | Sales of Home Appliances |

| Company | Date of Incorporation | Paid-in Capital | Major Business |
|---|-----------------------|-----------------|--|
| P.T TECO Multiguna Electro | 1983.06 | 16,509 | Investment and Trading Activities |
| TECO Electronic & Machinery (Thai) Co., Ltd. | 1987.04 | 60,288 | Investment and Trading Activities |
| TECO Westinghouse Motor Company | 1988.01 | 618,338 | Sales of Motors in USA |
| TECO Westinghouse Motor Industrial, Canada | 1995.12 | 25,381 | Sales of Motors |
| TECO Electro Devices Co., Ltd. | 1998.03 | 102,232 | International Trading |
| Wuxi Teco Electro Devices Co., Ltd. | 2001.12 | 118,530 | Manufacture and Sales of Stepping Motors |
| An-Tai International Investment (Singapore) Co., Ltd. | 1993.03 | 494,029 | Investment Activity |
| Tai-An Technology (Wuxi) Co., Ltd. | 2000.07 | 510,595 | Manufacture and Sales of Optical Fiber |
| Asia Electric & Machinery Pte Ltd. | 2000.06.05 | 1,666,438 | Investments in Home Appliances Business |
| Jack Property Service & Management Company | 2000.04.13 | 30,250 | Asset Management |
| Great Teco, S.L. | 2003.01 | 20,154 | Sales of Home Appliances |
| Nanchang TECO Electric & Machinery Co., Ltd. | 2003.11.10 | 491,205 | Manufacture and Sales of Air Conditioning |
| Sankyo Co, Ltd. | 1992.02.14 | 8,280 | Sales of Home Appliances |
| TECO Electronic & Machinery B.V. | 2005.04.18 | 22,169 | Sales of Motors and LCD TV in Europe |
| STE Marketing Sdn. Bhd. | 1987.12 | 64,528 | Investment and Trading |
| Jiangxi TECO Electric & Machinery Co., Ltd. | 2005.06.01 | 1,442,153 | Manufacture and Sales of Motors |
| Qingdao TECO Precision Mechatronics Co., Ltd | 2006.12 | 806,167 | Manufacture and Sales of Compressors |
| TECO Westinghouse Motor Company S.A. de C.V | 2005.12 | 57,161 | Manufacture and Sales of Motors |
| TYM Electric & Machinery Sdn. Bhd. | 2006.06 | 3,658 | Sales of Motors |
| TECO (Vietnam) Electric & Machinery Company | 2005.04 | 372,796 | Manufacture and Sales of Motors |
| TECO Technology (Vietnam) Co., Ltd. | 2006.08 | 377,178 | Manufacture and Sales of Tools and Equipment |
| Asia Innovative Technology (Xiamen) Co., Ltd. | 2006.12 | 802,982 | R&D and Manufacture of LCD TV |
| TECO Group Science-Technology (Hang Zhou) Co., Ltd. | 2007.06 | 9,781 | R&D of Electronic Devices and System Automation |
| Jiangxi TECO Air Conditioning Equipment Co., Ltd. | 2010.02.05 | 159,573 | Sales of Air Conditioners |
| Fujian TECO Precision Co., Ltd. | 2008.05 | 362,071 | Sales and Production of Motors and Generators |
| Teco Appliance (HK) Co., Ltd. | 1991.02.12 | 5,764 | Sales of Home Appliances |
| Taian Electric Co., Ltd. | 2004.03.17 | 1,000 | Manufacture and Sales of electric equipment |
| An-Sheng Travel Co., Ltd. | 2005.03.15 | 30,000 | Travel Business |
| Hubbell-Taian Co., Ltd. | 1991.08.22 | 27,200 | Import, export and sales of power distributors, lighting and explosion-proof tools |
| Hubbel-Annex International(s) Pte. Letd. | 2006.01.26 | 24,324 | Sales of Electronic Products |
| Universal Mail Service Ltd. | 1989.12 | 13,000 | Business Document Processing |
| Unison Service Corporation | 2001.08 | 17,000 | Software, Data Processing and Information Provision |
| Information Technology Total Service (BVI) Co., Ltd. | 2001.03 | 46,199 | Investment Activities |

| Company | Date of Incorporation | Paid-in Capital | Major Business |
|---|-----------------------|-----------------|--|
| Information Technology (Wuxi) Co., Ltd. | 2004.08 | 10,689 | Software, Data Processing and Information Provision |
| Information Technology Total Service (Xiamen) Ltd. | 2007.12 | 4,305 | Software, Data Processing and Information Provision |
| GreyBack International Property Inc. | 2007.02.28 | 29,983 | Real Estate Business |
| Taian-Jaya Electric Sdn. Bhd. | 1988.06.07 | 7,316 | Manufacture and Sales of Motors |
| TECO CAPITAL INC. | 2008.04.15 | 19,731 | Investment Activities |
| TECO (PHILIPPINES) 3C & APPLIANCES, INC. | 2008.08.22 | 29,320 | Sales of Home Appliance and Air Conditioners |
| Pelecanus Express Pte, Ltd | 2010.04.19 | 26,982 | Investment Activities |
| Qingdao TECO Innovation Co., Ltd. | 2010.08.11 | 56,332 | Merchant and Management Service for Science Park's Development and Operation |
| TECO Technology & Marketing Center Co., Ltd. | 2011.04.01 | 8,280 | Investment Activities |
| TECO Capital Investment (SAMOA) Co., Ltd. | 2011.01.18 | 59,960 | Holding Company |
| Beijing Pelican Express Co., Ltd. | 2010.10.13 | 23,462 | Storage Services |
| Technical Information International Co., Ltd. | 2008.07.28 | 43,050 | Development & Sales of Software |
| Shanghai TECO Electric & Machinery Co., Ltd. | 2012.08.04 | 21,819 | Agency of Machinery and Electric Products |
| TECO Electric and Machinery GmbH. | 2012.09.01 | 840 | Production & Sales of Machinery |
| Tecom Co., Ltd. | 1980.09.25 | 3,153,326 | Production and Sales of Business Communication Products |
| Tecom International Investment Co., Ltd. | 1980.02.22 | 120,000 | Investment Activities |
| Baycom Opto-Electronics Technology Co., Ltd. | 1980.04.16 | 335,913 | Research, Production & Sales of Fiber and Fiber Cables |
| Tecom Global Tech Investment (B.V.I) | 2002.08.13 | 33,156 | Investment Activities |
| Tecom Global Tech Investment Pte Limited | 2004.07.19 | 487,166 | Investment Activities |
| Tecom Tech Investment (B.V. I) | 2008.09.25 | 49,556 | Investment Activities |
| Wuhan Tecom Co., Ltd. | 2003.02.24 | 7,126 | Internet Telecommunication Technology Development and Related Services |
| Tecom Tech (Wuxi) Co., Ltd. | 2004.09.06 | 487,072 | R&D and Production of Telecommunication System |
| Beijing Tecom Innovative Technology Co., Ltd. | 2010.12.07 | 14,460 | The Internet of Intelligent Home System and Related Services |
| Qingdao Jie Zheng Property Service & Management Company | 2012.08.20 | 5,613 | Property Management and Related Services |
| Donghua Enterprise Co., Ltd. | 1968.07.30 | 18,000 | Franchise of FA/GE Product |
| Hunan TECO Electric & Machinery Co., Ltd. | 2013.06.20 | 219,833 | Manufacture of Related Component of 200 MGW Wind Turbine |
| TECO Elektrik Turkey A.S | 2013.08.01 | 31,179 | Franchise of Home Appliance and FA/GE Product |
| Jiangxi TECO Westinghouse Motor Coil Co., Ltd | 2014.07.24 | 106,213 | Manufacture and Sales of electric machinery, coil and merchandise |
| Teco Westinghouse Colombia S.A.S. | 2014.05.02 | 0 | Manufacture and Sales of motor and generator |
| Motovario S.p.A. | 1965.10.05 | 604,956 | Manufacture and Sales of motor and gear reducer |
| Motovario S.A.(Spain) | 2001.2.14 | 32,277 | Manufacture and Sales of motor and gear reducer |

| Company | Date of Incorporation | Paid-in Capital | Major Business |
|---|-----------------------|-----------------|---|
| Motovario Ltd | 1999.3.26 | 14,340 | Manufacture and Sales of motor and gear reducer |
| Motovario GMBH | 1997.2.28 | 10,820 | Manufacture and Sales of motor and gear reducer |
| Motovario Corp. | 1997.10.06 | 9,294 | Manufacture and Sales of motor and gear reducer |
| Motovario S.A(France) | 1995.2.09 | 10,859 | Manufacture and Sales of motor and gear reducer |
| Motovario Int. Trading Co. Ltd | 2004.7.22 | 7,126 | Manufacture and Sales of motor and gear reducer |
| Motovario Power Transmission Co. Ltd. | 2008.3.14 | 5,975 | Manufacture and Sales of motor and gear reducer |
| Motovario Gear Solution Private Ltd | 2011.7.15 | 5,266 | Manufacture and Sales of motor and gear reducer |
| Eagle Holding Co. | 2010.8 | 3,332,295 | Holding Company |
| TECO MOTOR B.V. | 2015.7 | 3,359,336 | Holding Company |
| Wuxi TECO Precision Mechatronics Co., Ltd | 2015.7 | 847,275 | Manufacture and Sales of electric machinery and component |
| Century Development Corporation | 1993.2.9 | 3,509,055 | Management of property and industrial park development |
| Century Tech. C&M Corporation | 1975.10.4 | 100,000 | Construction industry |
| United Development Corporation | 1994.3.8 | 85,913 | Consultant service for industrial park and land investment |
| Teco Industrial System Private Limited | 2012.6 | 6,243 | Sales and marketing for motors in India |
| Teco Electrical Industries Private Limited | 2016.6 | 27,248 | Dealer for motors |
| Yatec Engineering (VN) Company Limited | 2016.12 | 18,548 | Design and maintenance of electrical systems |
| Century Real Estate (International) Pte. Ltd. | 2017.8 | 911,392 | Investment in other regions |
| CDC Development India Private | 2017.10 | 796,480 | Consulting service for industrial zone and land investment |
| Century Biotech Development Corporation | 2018.3.23 | 700,000 | Consulting service for industrial zone and land investment |
| Teco Sun Energy | 2018.6.15 | 70,000 | Production of equipment for power generation, transmission and distribution |
| Am Smart Technology | 2018.3.31 | 20,000 | Dealer of heavy electric products |
| Temico International Pte. Ltd. | 2018.6.21 | 16,738 | Holding company |
| TECO EV Philippines Corporation | 2015.4.8 | 31,914 | Sales of vehicle |
| Euro Asia Mado | 2018.12.3 | 40,000 | Chain food industry |
| Jing Lao Man Restaurant | 2012.7.24 | 120,000 | Chain food industry |
| Enjoy Australia Pty. Ltd. | 2019.7 | 52,513 | Dealer of home appliance products |
| Motovario Australia Pty. Ltd. | 2018.2 | 0 | Various Investment |
| Teco Electric Motors Africa Pty. Ld | 2017.11 | 0 | Agent of motor and home appliance |
| EJoy Australia Holding PTY LTD. | 2017.2 | 0 | Various Investment |

8.1.3 Operational Highlights of Affiliated Companies

Unit: NT\$thousand

| Company | Capital | Total Assets | Total Liabilities | Net Worth | Net Sales | Operating Income | Net Profit / Loss | EPS (NT\$) |
|---|-----------|--------------|-------------------|------------|-----------|------------------|-------------------|------------|
| Tong Dai Co., Ltd. | 79,194 | 1,114,148 | 679,428 | 434,720 | 1,878,218 | 73,122 | 65,149 | 8.23 |
| Tecnos International Consultant Co., Ltd. | 105,088 | 382,332 | 241,100 | 141,232 | 2,042,788 | 25,965 | 20,479 | 1.95 |
| TECO Electric Europe Limited | 270,343 | 8,301 | 4,802 | 3,499 | -308 | -8,596 | -10,301 | -1.50 |
| TECO International Investment Co., Ltd. | 675,374 | 1,306,635 | 167,021 | 1,139,614 | 40,699 | 33,855 | 34,390 | 0.51 |
| TECO Electro Devices Co., Ltd. | 172,148 | 370,274 | 79,812 | 290,462 | 274,605 | -3,729 | 2,962 | 0.17 |
| TECO Electric & Machinery (Pte) Ltd. Singapore | 178,240 | 3,326,687 | 196,138 | 3,130,549 | 1,162,457 | 7,699 | 88,016 | 11.00 |
| Information Technology Total Services Co., Ltd. | 273,234 | 876,954 | 355,470 | 521,484 | 1,173,872 | 47,624 | 60,398 | 2.21 |
| UVG Investment Co., Ltd. | 7,057,695 | 8,137,145 | 512,510 | 7,624,635 | 0 | 336,827 | 334,286 | 1.42 |
| Tong-An Investment Co., Ltd. | 4,977,151 | 10,263,541 | 73,329 | 10,190,212 | 404,655 | 320,565 | 323,063 | 0.65 |
| TECO Holding USA Inc. | 800,676 | 12,221,167 | 1,703,523 | 10,517,644 | 9,300,031 | 888,984 | 920,523 | 34.47 |
| TECO Westinghouse Motor Company | 618,338 | 9,649,093 | 1,552,155 | 8,096,938 | 7,981,908 | 741,473 | 688,456 | 33.38 |
| An-Tai International Investment Co., Ltd. | 326,536 | 587,953 | 897 | 587,056 | 22,677 | 1,398 | 2,381 | 0.07 |
| Taian (Subic) Electric Co., Inc | 200,587 | 297,684 | 68,627 | 229,057 | 311,958 | 13,023 | 12,460 | 1.86 |
| Taian (Malaysia) Electric Sdn. Bhd. | 183,261 | 12,452 | 541 | 11,911 | 0 | -7 | 231 | 0.01 |
| Taian-Etacom Technology Co., Ltd. | 83,000 | 532,729 | 365,797 | 166,932 | 600,212 | 37,319 | 29,878 | 3.60 |
| Tasia (PTE) Ltd. | 23,661 | 1,192 | 134 | 1,058 | 0 | -136 | -136 | -0.13 |
| Teco Electronic & Machinery (THAI) Co., Ltd. | 60,288 | 243,148 | 33,065 | 210,083 | 226,095 | -1,946 | 1,579 | 0.03 |
| TECO Australia Pty. Ltd. | 630,150 | 1,672,691 | 493,722 | 1,178,969 | 1,786,942 | 34,068 | 16,722 | 0.56 |
| TECO Industrial Malaysia Sdn. Bhd. | 551,268 | 785,661 | 31,181 | 754,480 | 520,949 | -28,245 | -13,183 | -0.17 |
| P.T. TECO Elektro, Indonesia | 762,991 | 434,890 | 8,275 | 426,615 | 22,620 | 2,222 | 15,924 | 0.63 |

| Company | Capital | Total Assets | Total Liabilities | Net Worth | Net Sales | Operating Income | Net Profit / Loss | EPS (NT\$) |
|--|-----------|--------------|-------------------|-----------|-----------|------------------|-------------------|------------|
| Asia Air Tech Industrial (PTE) Ltd. | 254,830 | 136,340 | 7,461 | 128,879 | 0 | 912 | 710 | 0.08 |
| TECO Westinghouse Motor Industrial, Canada | 25,381 | 2,638,401 | 251,119 | 2,387,282 | 1,611,661 | 148,095 | 129,455 | 117.26 |
| Jiangxi TECO Westinghouse Motor Coil Co., Ltd | 106,213 | 132,176 | 19,940 | 112,236 | 113,148 | 2,892 | 4,725 | N.A. |
| Teco Westinghouse Colombia S.A.S. | 0 | 0 | 1,139 | -1,139 | 0 | 0 | 0 | 0.00 |
| An-Tai International Investment (Singapore) Co., Ltd. | 494,029 | 440,980 | 641 | 440,339 | 0 | -25,533 | -25,533 | -1.15 |
| TECO (Dong Guang) Air Conditioning Equipment Co., Ltd. | 302,887 | 138,547 | 3,268 | 135,279 | 28,603 | -1,991 | 912 | N.A. |
| Micropac (BVI) Worldwide | 446,222 | 1,425,459 | 779 | 1,424,680 | 0 | -93 | 18,855 | 1.27 |
| Taian Technology (Wuxi) Co., Ltd | 510,595 | 1,867,378 | 591,243 | 1,276,135 | 1,662,044 | -3,898 | 26,092 | N.A. |
| Great Teco Motor Ltd. | 3,658,346 | 4,376,749 | 913 | 4,375,836 | 0 | 299,172 | 296,197 | 2.43 |
| Jack Property Service & Management Company | 30,250 | 246,475 | 104,188 | 142,287 | 395,278 | 39,888 | 35,966 | 11.89 |
| Universal Mail Service Ltd. | 13,000 | 42,115 | 32,460 | 9,655 | 48,155 | 2,626 | 1,697 | 1.31 |
| INFORMATION TECHNOLOGY TOTAL SERVICE(BVI) Co. Ltd. | 46,199 | 53,133 | 55 | 53,078 | 0 | -21 | 4,961 | 3.22 |
| Tong-An Assets Management & Development Co., Ltd. | 3,884,237 | 6,225,076 | 984,498 | 5,240,578 | 209,533 | 86,908 | 91,151 | 0.23 |
| P.T. TECO Multiguna Electro | 16,509 | 470,913 | 81,771 | 389,142 | 630,570 | 69,115 | 57,808 | 0.01 |
| Yatec Engineering Corporation | 120,100 | 435,049 | 209,377 | 225,672 | 594,660 | 25,661 | 23,435 | 1.95 |
| TECO New Zealand Limited | 60,561 | 74,046 | 99,340 | -25,294 | 72,600 | 4,194 | 5,212 | 1.74 |
| Asia Electric & Machinery | 1,666,438 | 359,827 | 10,214 | 349,613 | 0 | -10,785 | -20,121 | -0.36 |
| Wuxi TECO Electric & Machinery Co., Ltd | 1,442,606 | 3,781,865 | 1,878,045 | 1,903,820 | 3,683,010 | 200,927 | 184,663 | N.A. |
| GD TECO Taiwan Co., Ltd. | 63,974 | 203,578 | 119,602 | 83,976 | 421,762 | 17,410 | 18,720 | 2.93 |
| Tesen Electric & Machinery Co., Ltd. | 200,000 | 256,444 | 35,532 | 220,912 | 2,166,655 | 16,686 | 15,173 | 0.76 |
| Teco Electronic Devices Co.,Ltd. | 102,232 | 121,089 | 0 | 121,089 | 0 | 0 | 4,166 | 1.22 |
| Wuxi Teco Electro Devices Co.,Ltd. | 118,530 | 191,659 | 70,581 | 121,078 | 258,142 | 3,482 | 4,153 | N.A. |

| Company | Capital | Total Assets | Total Liabilities | Net Worth | Net Sales | Operating Income | Net Profit / Loss | EPS (NT\$) |
|--|-----------|--------------|-------------------|-----------|-----------|------------------|-------------------|------------|
| Unison Service Corporation | 17,000 | 34,354 | 36,352 | -1,998 | 101,040 | 11,059 | 9,835 | 5.79 |
| Taian Electric Co., Ltd. | 1,000 | 808 | 0 | 808 | 0 | -3 | -3 | -0.03 |
| E-Joy International Co., Ltd. | 101,500 | 125,611 | 53,533 | 72,078 | 255,878 | 1,888 | 6,001 | 0.59 |
| A-Ok Technical Co., Ltd. | 22,500 | 142,077 | 83,587 | 58,490 | 363,292 | 25,684 | 20,762 | 9.23 |
| Great Teco, S.L. | 20,154 | 12,780 | 0 | 12,780 | 0 | 4 | 28 | 0.05 |
| Nanchang TECO Electric & Machinery Co., Ltd. | 491,205 | 7,960 | 35,353 | -27,393 | 6,093 | -5,127 | -21,194 | N.A. |
| Sankyo Co., Ltd. | 8,280 | 185,629 | 307,264 | -121,635 | 278,474 | 7,610 | 5,915 | 0.20 |
| Teco Electric & Machinery B.V. | 22,169 | 189,597 | 639,128 | -449,531 | 266,680 | 30,654 | 17,882 | 27.09 |
| Teco Electric & Machinery SDN. BHD | 64,528 | 422,272 | 72,196 | 350,076 | 463,437 | 24,610 | 23,594 | 26.75 |
| Jiangxi TECO Electric & Machinery Co., Ltd. | 1,442,153 | 1,658,256 | 173,631 | 1,484,625 | 582,190 | 26,848 | 42,455 | N.A. |
| Qingdao TECO Precision Mechatronics Co., Ltd | 806,167 | 1,009,396 | 597,198 | 412,198 | 1,011,599 | 37,470 | 45,716 | N.A. |
| Teco Westinghouse Motor Company S. A. de C. V. | 57,161 | 320,518 | 302,753 | 17,765 | 276,390 | 9,698 | 9,273 | 0.26 |
| TYM Electric & Machinery Sdn. Bhd. | 3,658 | 113,659 | 21,739 | 91,920 | 136,169 | 17,065 | 14,246 | 284.92 |
| Teco (Vietnam) Electronic & Machinery Company Ltd. | 372,796 | 691,376 | 279,666 | 411,710 | 623,644 | 5,547 | 3,420 | 0.00 |
| TECO Technology (Vietnam) Co., Ltd. | 377,178 | 437,966 | 99,623 | 338,343 | 152,138 | 25,664 | 2,292 | 0.00 |
| Asia Innovative Technology (Xiamen) Co., Ltd. | 802,982 | 321,674 | 49,193 | 272,481 | 42,915 | 890 | -7,220 | N.A. |
| Fujian TECO Precision Co., Ltd. | 362,071 | 146,430 | 79,121 | 67,309 | 0 | -15,499 | -3,473 | N.A. |
| Teco Appliance (HK) Co., Ltd. | 5,764 | 2,832 | 0 | 2,832 | 0 | 39 | 39 | 0.04 |
| An-Sheng Travel Co., Ltd. | 30,000 | 15,079 | 1,549 | 13,530 | 40,027 | 2,948 | 222 | 0.07 |
| Hubbell-Taian Co., Ltd. | 27,200 | 112,372 | 28,199 | 84,173 | 125,868 | 1,176 | -516 | -0.19 |
| Hubbell-Annex International(s) Pte. Letd. | 23,742 | 38,476 | 6,973 | 31,503 | 10,352 | 943 | 626 | 0.79 |
| Information Technology (Wuxi) Co., Ltd. | 10,689 | 45,953 | 29,573 | 16,380 | 66,846 | 768 | 1,524 | N.A. |

| Company | Capital | Total Assets | Total Liabilities | Net Worth | Net Sales | Operating Income | Net Profit / Loss | EPS (NT\$) |
|---|-----------|--------------|-------------------|-----------|-----------|------------------|-------------------|------------|
| Information Technology Total Service (Xiamen) Ltd. | 4,305 | 2,391 | 1,704 | 687 | 4,371 | 13 | 117 | N.A. |
| GreyBack International Property Inc. | 29,983 | 35,179 | 1,128 | 34,051 | 0 | -1,136 | -1,063 | -1.06 |
| Teco Group Science-Technology (Hang Zhou) Co., Ltd. | 9,781 | 31,404 | 800 | 30,604 | 29,655 | 1,867 | 2,246 | N.A. |
| Taian-Jaya Electric Sdn. Bhd. | 7,316 | 147,039 | 46,567 | 100,472 | 97,351 | -7,113 | -7,113 | 9.02 |
| TECO CAPITAL INC. | 19,731 | 8,851 | 0 | 8,851 | 0 | -39 | -30 | -0.05 |
| TECO (PHILIPPINES) 3C & APPLIANCES, INC. | 29,320 | 46,979 | 51,416 | -4,437 | 55,764 | 3,796 | 3,518 | 3.70 |
| Taiwan Pelican Express Co., Ltd. | 954,670 | 3,579,285 | 1,850,035 | 1,729,250 | 3,712,520 | 204,287 | 161,608 | 1.69 |
| Jiangxi TECO Air Conditioning Equipment Co., Ltd. | 159,573 | 209,076 | 84,446 | 124,630 | 317,236 | 1,964 | 2,871 | N.A. |
| Pelecanus Express Pte. Ltd. | 26,982 | 2,488 | 150 | 2,338 | 0 | -185 | -555 | -0.62 |
| Qingdao TECO Innovation Co., Ltd. | 56,332 | 75,907 | 38,890 | 37,017 | 0 | -5,559 | 647 | N.A. |
| TECO Technology & Marketing Center Co., Ltd. | 8,280 | 18,435 | 59,838 | -41,403 | 0 | -10,387 | -1,212 | -0.04 |
| TECOCAPITAL INVESTMENT(SAMOA) Co., Ltd. | 59,960 | 36,004 | 0 | 36,004 | 0 | 0 | 5,114 | 2.56 |
| Beijing Pelican Express Co., Ltd. | 23,462 | 2,256 | 48 | 2,208 | 0 | -371 | -371 | N.A. |
| Technical Information International Co., Ltd. | 43,050 | 14,739 | 1,664 | 13,075 | 30,156 | 1,274 | 1,392 | N.A. |
| Shanghai TECO Electric & Machinery Co., Ltd. | 21,819 | 1,425,350 | 1,328,939 | 96,411 | 4,493,321 | 84,730 | 65,648 | N.A. |
| TECO Electric and Machinery GmbH. | 840 | 6,582 | 956 | 5,626 | 22,437 | 56 | 30 | 1.20 |
| Tecom Co., Ltd. | 3,153,326 | 2,231,158 | 1,617,693 | 613,465 | 1,563,994 | -154,572 | -115,393 | -0.78 |
| Tecom International Investment Co., Ltd. | 120,000 | 243,739 | 2,337 | 241,402 | 0 | -506 | 23,137 | 1.93 |
| Baycom Opto-Electronics Technology Co., Ltd. | 335,913 | 553,509 | 99,031 | 454,478 | 218,388 | 4,781 | 8,639 | 0.26 |
| Tecom Global Tech Investment (B.V.I) | 33,156 | 3,720 | 0 | 3,720 | 0 | 0 | 1,575 | 0.05 |
| Tecom Global Tech Investment Pte Limited | 487,166 | 3,007 | 0 | 3,007 | 285 | 0 | -106 | 0.00 |
| Tecom Tech Investment (B.V. I) | 49,556 | 3,062 | 0 | 3,062 | 24 | 0 | -269 | -0.01 |

| Company | Capital | Total Assets | Total Liabilities | Net Worth | Net Sales | Operating Income | Net Profit / Loss | EPS (NT\$) |
|---|-----------|--------------|-------------------|-----------|-----------|------------------|-------------------|------------|
| Wuhan Tecom Co., Ltd. | 7,126 | 58,665 | 55,019 | 3,646 | 126,921 | 1,098 | 1,694 | N.A. |
| Tecom Tech (Wuxi) Co., Ltd. | 487,072 | 3,155 | 172 | 2,983 | 0 | 0 | 10 | N.A. |
| Tecom Tech Investment (BVI) Limited. | 5,613 | 3,089 | 567 | 2,522 | 0 | 71 | 71 | N.A. |
| Qingdao Jie Zheng Property Service & Management Company | 18,000 | 222,946 | 139,560 | 83,386 | 438,036 | 54,181 | 43,110 | 23.95 |
| Donghua Enterprise Co., Ltd. | 31,179 | 13,175 | 247 | 12,928 | 1,058 | -4,133 | -2,049 | -0.33 |
| Teco Elektrik Turkey A.S | 604,956 | 7,256,375 | 3,915,313 | 3,341,062 | 3,864,234 | 75,072 | -17,426 | -0.97 |
| Motovario S.p.A. | 32,277 | 231,765 | 231,879 | -114 | 497,978 | -32,471 | -32,954 | N.A. |
| Motovario SAU(Spain) | 14,340 | 135,715 | 122,426 | 13,289 | 271,075 | -8,302 | -3,095 | N.A. |
| Motovario Ltd | 10,820 | 68,397 | 111,899 | -43,502 | 194,446 | -4,851 | -5,453 | N.A. |
| Motovario GMBH | 9,294 | 502,965 | 87,335 | 415,630 | 592,596 | 95,087 | 68,696 | 221.60 |
| Motovario Corp. | 10,859 | 142,006 | 131,523 | 10,483 | 285,464 | -584 | -1,535 | N.A. |
| Motovario S.A(France) | 7,126 | 34,880 | 22,260 | 12,620 | 79,523 | 10,832 | 10,753 | N.A. |
| Motovario Int. Trading Co. Ltd | 5,975 | 13,206 | 15,368 | -2,162 | 32 | 32 | -213 | N.A. |
| Motovario Power Transmission Co. Ltd. | 5,266 | 94,337 | 208,497 | -114,160 | 120,616 | -24,447 | -35,380 | N.A. |
| Motovario Gear Solution Private Ltd | 3,332,295 | 4,207,081 | 0 | 4,207,081 | 0 | 0 | 160,336 | 1.44 |
| Eagle Holding Co. | 3,359,336 | 4,207,148 | 0 | 4,207,148 | 0 | 0 | 158,089 | 1.58 |
| TECO MOTOR B.V. | 847,275 | 978,525 | 198,104 | 780,421 | 609,005 | 7,381 | 11,639 | N.A. |
| Wuxi TECO Precision Mechatronics Co., Ltd | 3,509,055 | 6,909,614 | 2,787,595 | 4,122,019 | 774,051 | 365,850 | 217,650 | 0.62 |
| Century Development Corporation | 100,000 | 335,730 | 223,675 | 112,055 | 245,480 | -53,928 | -51,903 | -5.19 |
| Century Tech. C&M Corporation | 85,913 | 160,081 | 27,093 | 132,988 | 1,320 | 576 | 12,571 | 1.46 |
| United Development Corporation | 6,243 | 5,252 | 3,699 | 1,553 | 5,037 | -1,982 | -1,539 | -0.10 |

| Company | Capital | Total Assets | Total Liabilities | Net Worth | Net Sales | Operating Income | Net Profit / Loss | EPS (NT\$) |
|---|---------|--------------|-------------------|-----------|-----------|------------------|-------------------|------------|
| Teco Industrial System Private Limited | 840 | 6,582 | 956 | 5,626 | 22,437 | 56 | 30 | 1.20 |
| Teco Electrical Industries Private Limited | 27,248 | 38,721 | 29,682 | 9,039 | 75,527 | -794 | -131 | 0.00 |
| Yatec Engineering (VN) Company Limited | 18,548 | 72,988 | 52,489 | 20,499 | 268,178 | 4,383 | 3,206 | 0.00 |
| Century Real Estate (International) Pte. Ltd. | 911,392 | 809,490 | 90 | 809,400 | 0 | -123 | -26,756 | -0.88 |
| CDC Development India Private | 796,480 | 779,175 | 34,518 | 744,657 | 2,120 | -27,021 | -27,974 | -0.01 |
| Century Biotech Development Corporation | 700,000 | 1,357,461 | 700,428 | 657,033 | 0 | -10,448 | -17,683 | -0.03 |
| Teco Sun Energy | 70,000 | 106,879 | 37,614 | 69,265 | 0 | -615 | -617 | -0.01 |
| Am Smart Technology | 20,000 | 18,699 | 5,613 | 13,086 | 11,260 | -3,603 | -3,600 | -0.18 |
| Temico International Pte.Ltd. | 16,738 | 16,069 | 118 | 15,951 | 222 | -377 | -377 | -0.68 |
| TECO EV Philippines Corporation | 31,914 | 10,176 | 19,286 | -9,110 | 1,082 | -10,930 | -10,930 | -0.20 |
| Euro Asia MADO | 40,000 | 35,824 | 4,762 | 31,062 | 5,713 | -8,428 | -8,365 | -0.21 |
| Jing Lao Man Restaurant | 120,000 | 36,554 | 30,041 | 6,513 | 107,983 | -13,381 | -13,311 | -0.11 |
| Ejoy Australia Pty. Ltd. | 52,513 | 31,003 | 2,877 | 28,126 | 16,572 | -11,198 | -11,027 | -4.41 |
| Motor Austria Pty. Ltd. | 0 | 132,647 | 112,818 | 19,829 | 209,633 | 14,122 | 9,629 | - |
| Teco Electric Motor Africa Oty. Ltd. | 0 | 1,730 | 604 | 1,126 | 2,063 | -196 | -51 | - |
| EJoy Australia Holdings Pty. Ltd. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | - |
| Hunan TECO Electric & Machinery Co., Ltd. | 219,833 | 155,605 | 766 | 154,839 | 145 | -7,294 | -3,316 | N.A. |

8.2 Private Placement Securities in the Most Recent Years

None

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years

Unit: NT\$ thousand; Shares; %

| Name of subsidiary | Stock capital collected | Fund source | Shareholding ratio of the company | Date of acquisition or disposition | Shares and amount acquired | Shares and amount disposed of | Investment gain (loss) | Shareholdings & amount in the most recent year | Mortgage | Endorsement amount made for the subsidiary | Amount loaned to the subsidiary |
|---|-------------------------|-----------------|-----------------------------------|------------------------------------|--------------------------------|-------------------------------|------------------------|--|----------|--|---------------------------------|
| Tong An Investment Co., Ltd. | 4,459,181 | Working Capital | 99.60% | Successive Acquisition | 19,540,052 Shares \$232,969 | - | - | 19,540,052 Shares \$470,915 | None | - | - |
| An Tai International Investment Co., Ltd. | 250,187 | Working Capital | 100.00% | Successive Acquisition | 2,825,748 Shares \$26,308 | - | - | 2,825,748 Shares \$68,101 | None | - | - |
| Donghua Enterprise Co., Ltd. | 18,000 | Working Capital | 0.00% | Successive Acquisition | 77,222 shares \$724 | - | - | 77,222 shares \$1,861 | None | - | - |
| Taiwan Pelican Co., Ltd. | 954,670 | Working Capital | 32.15% | Successive Acquisition | 7,070,000 shares \$190,147 | - | - | 7,070,000 shares \$170,387 | None | - | - |

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF INDEPENDENT
ACCOUNTANTS
DECEMBER 31, 2019 AND 2018

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of TECO Electric & Machinery Co., Ltd. as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the audit reports of other independent accountants, as described in the other matter section of our report, the parent company only financial statements present fairly, in all material respects, the financial position of TECO Electric & Machinery Co., Ltd. as of December 31, 2019 and 2018, and its financial performance and 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 audit of the financial statements for the year ended December 31, 2019 in accordance with ‘Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants’, ‘Jin-Guan-Zheng-Shen-Zi Order No. 1090360805 as approved by the Financial Supervisory Commission’, and generally accepted auditing standards in the Republic of China (“R.O.C GAAS”), and our audit of the financial statements for the year ended December 31, 2018 in accordance with ‘Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants’ and R.O.C GAAS. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and audit reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. 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, we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements of the current period are stated as follows:

Revenue recognition of export sales of heavy industrial products group

Description

Refer to Note 4(32) of the parent company only financial statements for the accounting policies on revenue recognition. Heavy industrial products group handles the manufacturing and sales of various machinery, equipment and motors. Aside from domestic sales in Taiwan, the customers of heavy industrial products group are from China, America, Southeast Asia and Europe and the sales terms vary for different customers. Thus, we consider the revenue recognition of export sales of heavy industrial products group as a key audit matter.

How our audit addressed the matter

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

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

Other matter – Reports of other independent accountants

As described in Note 6(6) of the parent company only financial statements, we did not audit the financial statements of certain investee accounted for under the equity method. Those financial statements were

audited by other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information on the investee disclosed in Note 13 was based solely on the reports of other independent accountants. The investments accounted for under the equity method amounted to NT\$3,698,335 thousand and NT\$4,076,536 thousand, constituting 5% and 6% of the related total assets as of December 31, 2019 and 2018, respectively, and the comprehensive income amounting to NT\$82,978 thousand and NT\$176,754 thousand, constituting 1% and 5% of the total comprehensive income for the years then ended, respectively.

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 the Audit Committee, are responsible for overseeing the Company’s financial reporting process.

Auditor’s 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 a 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 ROC GAAS 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 ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

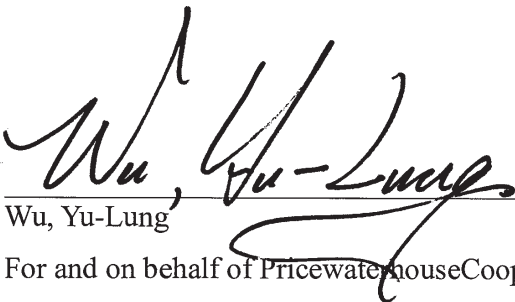
1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The 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 controls.
2. Obtain an understanding of internal controls 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 controls.
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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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


Wu, Yu-Lung


Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 17, 2020

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

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

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

| Assets | | Notes | December 31, 2019 | | December 31, 2018 | |
|--------------------|---|------------|-------------------|-----|-------------------|-----|
| | | | AMOUNT | % | AMOUNT | % |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) and 8 | \$ 704,888 | 1 | \$ 1,232,796 | 2 |
| 1140 | Current contract assets | | 1,057,201 | 1 | 1,074,420 | 1 |
| 1150 | Notes receivable, net | 6(4) | 298,848 | - | 405,734 | |
| 1160 | Notes receivable - related parties | 7 | 349,293 | 1 | 326,842 | - |
| 1170 | Accounts receivable, net | 6(4) | 1,372,244 | 2 | 1,528,892 | 2 |
| 1180 | Accounts receivable - related parties | 6(6) and 7 | 1,275,303 | 2 | 1,284,953 | 2 |
| 1200 | Other receivables | | 92,237 | - | 62,938 | - |
| 1210 | Other receivables - related parties | 6(6) and 7 | 1,111,867 | 2 | 1,293,359 | 2 |
| 130X | Inventories | 6(5) | 2,512,802 | 3 | 2,758,641 | 4 |
| 1410 | Prepayments | | 329,211 | - | 168,385 | - |
| 1470 | Other current assets | 6(1) and 8 | 183,611 | - | 206,812 | - |
| 11XX | Total current assets | | 9,287,505 | 12 | 10,343,772 | 14 |
| Non-current assets | | | | | | |
| 1510 | Non-current financial assets at fair value through profit or loss | 6(2)(22) | 1,966,144 | 2 | 1,835,790 | 3 |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(3) | 7,459,586 | 10 | 5,983,461 | 8 |
| 1550 | Investments accounted for under equity method | 6(6) and 7 | 50,342,442 | 67 | 47,877,378 | 66 |
| 1600 | Property, plant and equipment | 6(7) and 7 | 3,520,118 | 5 | 3,739,530 | 5 |
| 1755 | Right-of-use assets | 6(8) | 11,418 | - | - | - |
| 1760 | Investment property - net | 6(9) | 2,039,208 | 3 | 2,060,182 | 3 |
| 1840 | Deferred income tax assets | 6(25) | 788,769 | 1 | 803,739 | 1 |
| 1900 | Other non-current assets | 6(10) | 130,009 | - | 151,848 | - |
| 15XX | Total non-current assets | | 66,257,694 | 88 | 62,451,928 | 86 |
| 1XXX | Total assets | | \$ 75,545,199 | 100 | \$ 72,795,700 | 100 |

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity | | Notes | December 31, 2019 | | December 31, 2018 | |
|--|--------------------------------------|----------|-------------------|-----|-------------------|-----|
| | | | AMOUNT | % | AMOUNT | % |
| Current liabilities | | | | | | |
| 2100 | Short-term borrowings | 6(11) | \$ 55,200 | - | \$ 49,110 | - |
| 2130 | Current contract liabilities | 6(20) | 431,356 | 1 | 356,457 | - |
| 2150 | Notes payable | | 12,085 | - | 6,861 | - |
| 2160 | Notes payable - related parties | 7 | 132,557 | - | 162,340 | - |
| 2170 | Accounts payable | | 2,617,198 | 4 | 3,371,424 | 5 |
| 2180 | Accounts payable - related parties | 7 | 998,125 | 1 | 876,705 | 1 |
| 2200 | Other payables | | 2,597,722 | 4 | 2,590,466 | 4 |
| 2220 | Other payables - related parties | 7 | 639,163 | 1 | 635,479 | 1 |
| 2230 | Current income tax liabilities | 6(25) | 321,647 | - | 269,312 | - |
| 2250 | Provisions for liabilities - current | | 103,006 | - | 91,679 | - |
| 2280 | Current lease liabilities | 6(8) | 6,645 | - | - | - |
| 2300 | Other current liabilities | 6(13) | 3,087,868 | 4 | 58,851 | - |
| 21XX | Total current liabilities | | 11,002,572 | 15 | 8,468,684 | 11 |
| Non-current liabilities | | | | | | |
| 2530 | Corporate bonds payable | 6(13) | 1,000,000 | 1 | 4,000,000 | 6 |
| 2540 | Long-term borrowings | 6(14) | 4,299,967 | 6 | 4,249,725 | 6 |
| 2570 | Deferred income tax liabilities | 6(25) | 958,820 | 1 | 814,098 | 1 |
| 2580 | Non-current lease liabilities | 6(8) | 3,859 | - | - | - |
| 2600 | Other non-current liabilities | 6(15) | 1,573,477 | 2 | 1,584,533 | 2 |
| 25XX | Total non-current liabilities | | 7,836,123 | 10 | 10,648,356 | 15 |
| 2XXX | Total liabilities | | 18,838,695 | 25 | 19,117,040 | 26 |
| Equity | | | | | | |
| Share capital | | 6(16) | | | | |
| 3110 | Share capital - common stock | | 19,676,929 | 26 | 20,026,929 | 28 |
| Capital surplus | | 6(17) | | | | |
| 3200 | Capital surplus | | 7,389,577 | 9 | 7,647,215 | 10 |
| Retained earnings | | 6(18) | | | | |
| 3310 | Legal reserve | | 6,702,463 | 9 | 6,387,454 | 9 |
| 3320 | Special reserve | | 3,640,779 | 5 | 3,640,779 | 5 |
| 3350 | Unappropriated retained earnings | | 16,047,563 | 21 | 15,192,788 | 21 |
| Other equity interest | | 6(19) | | | | |
| 3400 | Other equity interest | | 3,570,756 | 5 | 1,105,058 | 1 |
| 3500 | Treasury stocks | 6(6)(16) | (321,563) | - | (321,563) | - |
| 3XXX | Total equity | | 56,706,504 | 75 | 53,678,660 | 74 |
| Significant Contingent Liabilities and | | 9 | | | | |
| Unrecognized Contract Commitments | | | | | | |
| Significant Events after the Balance | | 11 | | | | |
| Sheet date | | | | | | |
| 3X2X | Total liabilities and equity | | \$ 75,545,199 | 100 | \$ 72,795,700 | 100 |

The accompanying notes are an integral part of these parent company only financial statements.

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

| | | | Year ended December 31 | | | |
|--|-----------------------|---------------|------------------------|---------------|-------|--|
| Items | Notes | 2019 | | 2018 | | |
| | | AMOUNT | % | AMOUNT | % | |
| 4000 Sales revenue | 6(20) and 7 | \$ 18,873,312 | 100 | \$ 20,879,719 | 100 | |
| 5000 Operating costs | 6(5)(15)(24) and 7 | (14,940,657) | (79) | (16,506,775) | (79) | |
| 5900 Net operating margin | | 3,932,655 | 21 | 4,372,944 | 21 | |
| 5910 Unrealized profit from sales | 7 | (500,745) | (3) | (614,532) | (3) | |
| 5920 Realized profit from sales | | 614,532 | 3 | 653,779 | 3 | |
| 5950 Net operating margin | | 4,046,442 | 21 | 4,412,191 | 21 | |
| 6100 Operating expenses | 6(15)(24) and 7 | | | | | |
| 6200 Selling expenses | | (1,826,287) | (9) | (1,879,789) | (9) | |
| 6300 General and administrative expenses | | (531,689) | (3) | (552,381) | (2) | |
| 6450 Research and development expenses | | (574,548) | (3) | (568,565) | (3) | |
| 6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 | | 1,052 | - | 513 | - | |
| 6000 Total operating expenses | | (2,931,472) | (15) | (3,001,248) | (14) | |
| 6900 Operating profit | | 1,114,970 | 6 | 1,410,943 | 7 | |
| Non-operating income and expenses | | | | | | |
| 7010 Other income | 6(3)(9)(21) and 7 | 658,278 | 4 | 548,375 | 3 | |
| 7020 Other gains and losses | 6(2)(6)(12)(22) and 7 | (382,300) | (2) | (548,547) | (3) | |
| 7050 Finance costs | 6(8)(23) and 7 | (102,308) | (1) | (99,181) | - | |
| 7070 Share of profit of subsidiary, associates and joint ventures accounted for under equity method | 6(6) | 2,213,679 | 12 | 1,983,219 | 9 | |
| 7000 Total non-operating income and expenses | | 2,387,349 | 13 | 1,883,866 | 9 | |
| 7900 Profit before income tax | | 3,502,319 | 19 | 3,294,809 | 16 | |
| 7950 Income tax expense | 6(25) | (280,602) | (2) | (144,720) | (1) | |
| 8200 Profit for the year | | \$ 3,221,717 | 17 | \$ 3,150,089 | 15 | |
| Other comprehensive income | | | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | | | |
| 8311 Other comprehensive loss, before tax, actuarial losses on defined benefit plans | 6(15) | (\$ 80,887) | (1) | (\$ 34,335) | - | |
| 8316 Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income | 6(3)(19) | 1,461,127 | 8 | 1,251,661 | 6 | |
| 8330 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | | 1,848,678 | 10 | (692,289) | (3) | |
| 8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(25) | - | - | 19,779 | - | |
| 8310 Components of other comprehensive income that will not be reclassified to profit or loss | | 3,228,918 | 17 | 544,816 | 3 | |
| Components of other comprehensive loss that will be reclassified to profit or loss | | | | | | |
| 8361 Other comprehensive loss, before tax, exchange differences on translation | 6(19) | (794,735) | (4) | (185,820) | (1) | |
| 8399 Income tax relating to the components of other comprehensive income | 6(19)(25) | 19,734 | - | 43,453 | - | |
| 8360 Components of other comprehensive loss that will be reclassified to profit or loss | | (775,001) | (4) | (142,367) | (1) | |
| 8300 Other comprehensive income for the year | | \$ 2,453,917 | 13 | \$ 402,449 | 2 | |
| 8500 Total comprehensive income for the year | | \$ 5,675,634 | 30 | \$ 3,552,538 | 17 | |
| Earnings per share (in dollars) | | | | | | |
| 9750 Basic earnings per share | 6(26) | \$ 1.65 | | \$ 1.59 | | |
| 9850 Diluted earnings per share | | \$ 1.65 | | \$ 1.59 | | |

The accompanying notes are an integral part of these parent company only financial statements.

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

| Notes | Share capital - common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Other equity interest | | | Treasury stocks | Total equity |
|--|------------------------------|-----------------|---------------|-----------------|----------------------------------|--|-----------------------|---|--|-----------------|---------------|
| | | | | | | | Retained earnings | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Unrealized gain or loss on available-for-sale financial assets | | |
| 2018 | | | | | | | | | | | |
| Balance at January 1, 2018 | \$ 20,026,929 | \$ 7,628,542 | \$ 6,078,219 | \$ 3,640,779 | \$ 12,750,338 | (\$ 1,759,357) | \$ - | \$ - | \$ 3,785,878 | (\$ 321,563) | \$ 51,829,765 |
| Effect of retrospective application | - | - | - | - | 1,937,121 | - | - | 1,848,757 | (3,785,878) | - | - |
| Balance at January 1, after adjustments | 20,026,929 | 7,628,542 | 6,078,219 | 3,640,779 | 14,687,459 | (1,759,357) | - | 1,848,757 | - | (321,563) | 51,829,765 |
| Profit for the year | - | - | - | - | 3,150,089 | - | - | - | - | - | 3,150,089 |
| Other comprehensive income (loss) | - | - | - | - | (40,562) | (142,367) | - | 585,378 | - | - | 402,449 |
| Total comprehensive income (loss) | - | - | - | - | 3,109,527 | (142,367) | - | 585,378 | - | - | 3,552,538 |
| Appropriations of 2018 earnings | - | - | - | - | - | - | - | - | - | - | - |
| Legal reserve | - | - | 309,235 | - | (309,235) | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | (1,722,316) | - | - | - | - | - | (1,722,316) |
| Effect of changes in net equity of associates and joint ventures accounted for under the equity method | - | 18,673 | - | - | - | - | - | - | - | - | 18,673 |
| Disposal of investments in equity instruments at fair(6)(3) value through other comprehensive income | - | - | - | - | (572,647) | - | - | 572,647 | - | - | - |
| Balance at December 31, 2018 | 20,026,929 | 7,647,215 | 6,387,454 | 3,640,779 | 15,192,788 | (\$ 1,901,724) | - | 3,006,782 | - | (\$ 321,563) | 53,678,660 |
| 2019 | | | | | | | | | | | |
| Balance at January 1, 2019 | \$ 20,026,929 | \$ 7,647,215 | \$ 6,387,454 | \$ 3,640,779 | \$ 15,192,788 | (\$ 1,901,724) | - | \$ 3,006,782 | - | (\$ 321,563) | \$ 53,678,660 |
| Effect of retrospective application | - | - | - | - | (269,228) | - | - | - | - | - | (269,228) |
| Balance at 1 January after adjustments | 20,026,929 | 7,647,215 | 6,387,454 | 3,640,779 | 14,923,560 | (1,901,724) | - | 3,006,782 | - | (321,563) | 53,409,432 |
| Profit for the year | - | - | - | - | 3,221,717 | - | - | - | - | - | 3,221,717 |
| Other comprehensive income | - | - | - | - | 77,599 | (775,001) | - | 3,306,517 | - | - | 2,452,917 |
| Total comprehensive income (loss) | - | - | - | - | 3,144,118 | (775,001) | - | 3,306,517 | - | - | 5,675,634 |
| Appropriations of 2019 earnings | - | - | - | - | - | - | - | - | - | - | - |
| Legal reserve | - | - | 315,009 | - | (315,009) | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | (1,770,924) | - | - | - | - | (675,840) | (1,770,924) |
| Treasury stock acquired | - | - | - | - | - | - | - | - | - | 675,840 | - |
| Treasury stock retired | - | - | - | - | - | - | - | - | - | - | - |
| Effect of changes in net equity of associates and joint ventures accounted for under the equity method | (350,000) | (325,840) | - | - | - | - | - | - | - | - | - |
| Disposal of investments in equity instruments at fair(6)(3)(19) value through other comprehensive income | - | 68,202 | - | - | - | - | - | - | - | - | 68,202 |
| Balance at December 31, 2019 | 19,676,929 | 7,389,577 | 6,702,463 | 3,640,779 | 16,047,563 | (\$ 2,676,725) | (65,818) | 6,247,481 | - | (321,563) | 56,706,504 |

The accompanying notes are an integral part of these parent company only financial statements.

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
 (Expressed in thousands of New Taiwan dollars)

| | Notes | 2019 | 2018 |
|---|--------------------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | \$ 3,502,319 | \$ 3,294,809 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Net (gain) loss on financial assets at fair value through profit or loss | 6(2)(22) | (88,601) | 103,280 |
| Net loss (gain) on financial liabilities at fair value through profit or loss | 6(12)(22) | 227 | (2,529) |
| Impairment loss determined in accordance with IFRS 9 | 12(2) | 1,052 | 513 |
| Interest income | 6(21) | (11,588) | (8,879) |
| Interest expense | 6(23) | 100,317 | 94,730 |
| Dividend income | 6(21) | (271,049) | (223,794) |
| Loss on disposal of investments | 6(22) | (8,428) | (1,385) |
| Gain on remeasurement | 6(22) | - | (46,515) |
| Changes in unrealized gain from downstream sales | | (113,787) | (39,247) |
| Share of profit of associates and joint ventures accounted for under the equity method | 6(6) | (2,213,679) | (1,983,219) |
| Depreciation, amortization and net gain or loss on disposal of property, plant and equipment, net | 6(7)(8)(9)(22)(24) | 514,299 | 436,151 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Contract assets - current | | 17,219 | (238,082) |
| Notes receivable | | 107,059 | (116,473) |
| Notes receivable - related parties | (| (22,451) | (10,252) |
| Accounts receivable | | 159,631 | 38,202 |
| Accounts receivable - related parties | | 85,986 | 321,893 |
| Other receivables | (| (29,299) | (80,148) |
| Other receivables - related parties | | 175,841 | (97,285) |
| Inventories | | 245,839 | (146,148) |
| Prepayments | (| (160,826) | (115,098) |
| Other current asset | | 13,059 | (22,011) |
| Financial assets at fair value through profit or loss - non-current | (| (41,753) | (39,765) |
| Changes in operating liabilities | | | |
| Contract liabilities - current | | 74,899 | 84,127 |
| Notes payable | | 5,224 | (12,769) |
| Notes payable - related parties | (| (29,783) | (6,764) |
| Accounts payable | (| (754,226) | (50,127) |
| Accounts payable - related parties | | 121,420 | (399,025) |
| Other payables | | 50,118 | 55,208 |
| Other payables - related parties | | 11,034 | (5,876) |
| Provisions for liabilities | | 11,327 | 8,261 |
| Other current liabilities | | 29,017 | (57,896) |
| Other non-current liabilities | (| (100,353) | (21,613) |
| Cash inflow generated from operations | | 1,380,064 | 972,824 |
| Interest received | 6(21) | 11,588 | 8,879 |
| Dividends received | | 605,396 | 752,339 |
| Payment of interest | (| (94,475) | (94,730) |
| Payment of income tax | (| (48,840) | (448,447) |
| Net cash flows from operating activities | | <u>1,853,733</u> | <u>1,190,865</u> |

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

| | Notes | 2019 | 2018 |
|---|----------|-------------------|---------------------|
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Decrease in other receivables - related parties | 7 | \$ 5,651 | \$ 61,438 |
| Decrease (increase) in pledged fixed deposit | 8 | 10,142 | (8,151) |
| Increase in financial assets at fair value through other comprehensive income - non-current | | (14,998) | (21,990) |
| Increase in investments accounted for under equity method | | (94,723) | (208,226) |
| Proceeds from disposal of property, plant and equipment | | 347 | 46,307 |
| Acquisition of property, plant and equipment | 6(7)(27) | (217,778) | (352,913) |
| Increase in deferred expenses | | (7,314) | (19,691) |
| Decrease (increase) in refundable deposits | | 7,017 | (9,331) |
| Dividends received | | 271,049 | 223,794 |
| Proceeds from disposal of investment accounted for under equity method | | 141,865 | 297,087 |
| Decrease in other non-current assets | | 3,042 | 6,931 |
| Net cash flows from investing activities | | <u>104,300</u> | <u>15,255</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Increase (decrease) in short-term loans | | 6,090 | (226,674) |
| Decrease in other payables - related parties financing | 7 | (7,350) | (70,450) |
| Increase in long-term loans | | 50,242 | 1,158,931 |
| Cash dividends paid | 6(18) | (1,770,924) | (1,722,316) |
| Lease liabilities paid | | (88,159) | - |
| Treasury shares purchased | 6(16) | (675,840) | - |
| Net cash flows used in financing activities | | (2,485,941) | (860,509) |
| Net (decrease) increase in cash and cash equivalents | | (527,908) | 345,611 |
| Cash and cash equivalents at beginning of year | | 1,232,796 | 887,185 |
| Cash and cash equivalents at end of year | | <u>\$ 704,888</u> | <u>\$ 1,232,796</u> |

The accompanying notes are an integral part of these parent company only financial statements.

TECO ELECTRIC & MACHINERY CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANIZATION

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

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These financial statements were authorized for issuance by the Board of Directors on March 17, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|--|---|
| Amendments to IFRS 9, ‘Prepayment features with negative compensation’ | January 1, 2019 |
| IFRS 16, ‘Leases’ | January 1, 2019 |
| Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’ | January 1, 2019 |
| Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’ | January 1, 2019 |
| IFRIC 23, ‘Uncertainty over income tax treatments’ | January 1, 2019 |
| Annual improvements to IFRSs 2015-2017 cycle | January 1, 2019 |

Except for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, ‘Leases’

A. IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying IFRSs effective in 2019 as endorsed by the FSC. Accordingly, the Company increased ‘right-of-use asset’ by \$90,869, increased ‘lease liability’ by \$92,022 and decreased investments accounted for under the equity method and retained earnings by \$268,075 and \$269,228 with respect to the lease contracts of lessees on January 1, 2019.

C. The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.

(d) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.45%.

E. The Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December

| | | |
|----------|----|---------|
| 31, 2018 | \$ | 139,566 |
|----------|----|---------|

| | | |
|-------------------------|---|---------|
| Less: Short-term leases | (| 44,734) |
|-------------------------|---|---------|

| | | |
|------------------------|---|--------|
| Less: Low-value assets | (| 2,002) |
|------------------------|---|--------|

| | | |
|---|--|--------|
| Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019 | | 92,830 |
|---|--|--------|

| | | |
|--|--|-------|
| Incremental borrowing interest rate at the date of initial application | | 1.45% |
|--|--|-------|

| | | |
|--|----|--------|
| Lease liabilities recognised as at January 1, 2019 by applying IFRS 16 | \$ | 92,022 |
|--|----|--------|

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|--|--|
| Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material' | January 1, 2020 |
| Amendments to IFRS 3, 'Definition of a business' | January 1, 2020 |
| Amendments to IFRS 9, IAS 39 and IFRS7, 'Interest rate benchmark reform' | January 1, 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) IFRSs issued by IASB but not yet endorsed by the FSC

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

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|--|
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by International Accounting Standards Board |
| IFRS 17, 'Insurance contracts' | January 1, 2021 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2022 |

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The financial statements have been prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities".

(2) Basis of preparation

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

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

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

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value

through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the Company entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or jointly joint arrangements exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company still retains partial interest in the former foreign associate or joint arrangements entity after losing significant influence over the former foreign associate or losing joint control of the former joint arrangements such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation is partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling in this foreign operation. In addition, even when the Company still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at balance sheet date.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;

- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

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

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

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

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

(8) Accounts and notes receivable

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

- A. The contractual rights to receive cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows from the financial asset have been transferred and

the Company has transferred substantially all risks and rewards of ownership of the financial asset.

C. The Company neither retains nor transfers substantially all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

(11) Operating leases (lessor)

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

(12) Inventories

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

(13) Investments accounted for under the equity method - associates

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealized profit (loss) arising from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.

D. If changes in shareholdings in subsidiaries do not result to loss of control (transaction with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognized in equity.

E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

The Company's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss arising through subsequent assessments.

F. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

G. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

H. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated

unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

- I. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- K. The Company accounts for its interest in a joint venture using equity method. Unrealized profits and losses arising from the transactions between the Company and its joint venture are eliminated to the extent of the Company's interest in the joint venture. The Company's share of joint ventures' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognized immediately. When the Company's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.
- L. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(14) Property, plant and equipment

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

lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

(15) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities
Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
- (a) Fixed payments, less any lease incentives receivable; and
 - (b) Variable lease payments that depend on an index or a rate.
- The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability; and
 - (b) Any lease payments made at or before the commencement date.
- The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Leased assets/ operating leases (lessee)
Prior to 2019

Payment made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(17) Investment property

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

(18) Intangible assets

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

(19) Impairment of non-financial assets

- A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount

by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

- B. The recoverable amounts of goodwill and intangible assets with an indefinite useful life are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Borrowings

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

(21) Notes and accounts payable

- A. Notes payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

- A. Financial liabilities are classified in this category of held for trading. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(23) Bonds payable

Ordinary corporate bonds issued by the Company are initially recognized at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortized to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'finance costs.'

(24) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(25) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to

settle on a net basis or realise the asset and settle the liability simultaneously.

(26) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. At initial recognition, the Company measures financial guarantee contracts at fair value and subsequently at the higher of the amount of provisions determined by the expected credit losses and the cumulative gains that were previously recognized.

(27) Provisions for other liabilities

Provisions (including product warranties, etc.) are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(28) 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 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.

(29) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the inappropriate retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, and associates except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. Based on the "Income Basic Tax Act", if the regular income tax is equal or more than the basic tax, the income tax payable shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas, if the regular income tax is less than basic tax, the income tax payable shall be equal to the basic tax. The difference between the regular income tax and basic tax shall not be subject to deductions of investment tax credits granted under the provisions of

other laws.

(30) Share capital

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

(31) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(32) Revenue recognition

A. Sales of goods—wholesale

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

B. Installation and construction service of electrification products

- (a) The Company provides installation and construction service of electrification products. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual cost spent relative to the total cost. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.
- (b) Some contracts include sales and installation services of equipment. The equipment and the installation services provided by the Company are not distinct and are identified to be one

performance obligation satisfied over time since the installation services involve significant customisation and modification. The Company recognises revenue on the basis of costs incurred relative to the total expected costs of that performance obligation. Conversely, the Company recognises revenue at an amount equal to the cost of a good if the good is not distinct and its cost is significant relative to the total expected costs, the customer is expected to obtain control of the good significantly before receiving services related to the good, and the Company procures the good from a third party and is not involved in designing and manufacturing the good by acting as a principal.

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

C. Incremental costs of obtaining a contract

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

(33) Government grants

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

(34) Business combinations

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and

liabilities within the next financial year; and the related information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Company's subjective judgment, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | December 31, 2019 | December 31, 2018 |
|---|-------------------|---------------------|
| Cash on hand and revolving funds | \$ 302 | \$ 306 |
| Checking accounts and demand deposits | 539,098 | 916,396 |
| Time deposits and notes issued under repurchase agreement | 165,488 | 316,094 |
| | <u>\$ 704,888</u> | <u>\$ 1,232,796</u> |

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

B. As of December 31, 2019 and 2018, cash and cash equivalents amounting to \$6,616 and \$16,308 as purchase loans were pledged to others as collateral (listed as '1470 Other current assets'). Please refer to Note 8.

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

| Items | December 31, 2019 | December 31, 2018 |
|--|---------------------|---------------------|
| Non-current items: | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Listed and OTC stocks | \$ 881,396 | \$ 879,780 |
| Non-listed and OTC stocks | 810,394 | 811,774 |
| Money Market Fund | 234,324 | 192,807 |
| | 1,926,114 | 1,884,361 |
| Valuation adjustment | 40,030 | (48,571) |
| | <u>\$ 1,966,144</u> | <u>\$ 1,835,790</u> |

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

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|--|---|---|
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Equity instruments | <u>\$ 88,601</u> | <u>(\$ 103,280)</u> |

B. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

| Items | December 31, 2019 | December 31, 2018 |
|---------------------------|---------------------|---------------------|
| Non-current items: | | |
| Listed and OTC stocks | \$ 5,229,631 | \$ 5,229,631 |
| Non-listed and OTC stocks | 47,148 | 32,151 |
| | 5,276,779 | 5,261,782 |
| Valuation adjustment | 2,182,807 | 721,679 |
| | <u>\$ 7,459,586</u> | <u>\$ 5,983,461</u> |

A. The Company has elected to classify Taiwan High Speed Rail's stocks that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$7,459,586 and \$5,983,461 as at December 31, 2019 and 2018.

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

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|
| Equity instruments at fair value through other comprehensive income | | |
| Fair value change recognized in other comprehensive income | <u>\$ 1,461,127</u> | <u>\$ 1,251,661</u> |
| Cumulative gains (losses) reclassified to retained earnings due to derecognition | <u>\$ -</u> | <u>\$ 659,293</u> |
| Dividend income recognised in profit or loss | | |
| Held at end of year | <u>\$ 216,079</u> | <u>\$ 155,889</u> |
| Derecognised during the year | <u>\$ -</u> | <u>\$ -</u> |

C. The Company has no financial assets at fair value through other comprehensive income pledged to others.

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Notes and accounts receivable

| | December 31, 2019 | December 31, 2018 |
|----------------------------------|---------------------|---------------------|
| Notes receivable | \$ 299,378 | \$ 406,437 |
| Less: Allowance for bad debts | (530) | (703) |
| | <u>\$ 298,848</u> | <u>\$ 405,734</u> |
| Accounts receivable | \$ 1,398,390 | \$ 1,556,001 |
| Less: Allowance for bad debts | (26,146) | (27,109) |
| | <u>\$ 1,372,244</u> | <u>\$ 1,528,892</u> |

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

| | December 31, 2019 | December 31, 2018 |
|----------------|---------------------|---------------------|
| Not past due | \$ 994,416 | \$ 1,321,932 |
| Up to 30 days | 307,462 | 256,184 |
| 31 to 90 days | 115,430 | 83,583 |
| 91 to 180 days | 30,306 | 47,159 |
| Over 180 days | 223,478 | 225,768 |
| | <u>\$ 1,671,092</u> | <u>\$ 1,934,626</u> |

The above ageing analysis was based on past due date.

- B. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to \$1,856,868.
- C. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).
- (5) Inventories

| | December 31, 2019 | | |
|----------------------|---------------------|------------------------------|---------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 652,455 | (\$ 33,585) | \$ 618,870 |
| Work in progress | 445,837 | (3,607) | 442,230 |
| Finished goods | 1,482,325 | (172,987) | 1,309,338 |
| Inventory in transit | 142,364 | - | 142,364 |
| | <u>\$ 2,722,981</u> | <u>(\$ 210,179)</u> | <u>\$ 2,512,802</u> |
| | December 31, 2018 | | |
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 830,044 | (\$ 82,142) | \$ 747,902 |
| Work in progress | 499,395 | (3,074) | 496,321 |
| Finished goods | 1,576,129 | (177,415) | 1,398,714 |
| Inventory in transit | 115,704 | - | 115,704 |
| | <u>\$ 3,021,272</u> | <u>(\$ 262,631)</u> | <u>\$ 2,758,641</u> |

The cost of inventories recognized as expense for the years ended December 31, 2019 and 2018 was \$12,474,175 and \$13,741,971, respectively, including \$83,776 and \$82,454 that the Company wrote down from cost to the net realizable value accounted for as cost of goods sold for the years ended December 31, 2019 and 2018, respectively.

(6) Investments accounted for under the equity method

| | December 31, 2019 | December 31, 2018 |
|---|----------------------|----------------------|
| Subsidiaries: | | |
| 1. Teco International Investment Co., Ltd. | \$ 1,135,110 | \$ 1,064,316 |
| 2. Teco Holding USA Inc. | 10,515,754 | 9,858,588 |
| 3. Teco Electric & Machinery (Pte) Ltd. | 3,362,698 | 3,302,731 |
| 4. Tong-An Investment Co., Ltd. | 9,679,419 | 7,997,267 |
| 5. United View Global Investment Co., Ltd. | 7,617,629 | 7,489,862 |
| 6. Micropac Worldwide Investment (BVI) | 1,419,907 | 1,451,867 |
| 7. Tong-An Assets Management & Development Co., Ltd. | 5,240,578 | 5,252,807 |
| 8. Eagle Holding Co. | 4,224,360 | 4,311,420 |
| 9. Century Development Corporation | 1,301,294 | 1,377,232 |
| 10. Others | 3,366,494 | 3,346,998 |
| | <u>47,863,243</u> | <u>45,453,088</u> |
| Associates: | | |
| 1. Tung Pei Industrial Co., Ltd. | \$ 2,086,821 | \$ 2,087,582 |
| 2. Lien Chang Electronic Enterprise Co., Ltd. | 445,494 | 440,000 |
| 3. Kuen Ling Machinery Refrigerating Co., Ltd. (Note) | 286,363 | 347,255 |
| 4. Others | 161,266 | 163,985 |
| | <u>2,979,944</u> | <u>3,038,822</u> |
| | 50,843,187 | 48,491,910 |
| Less: Unrealized profit from sales | (500,745) | (614,532) |
| | 50,342,442 | 47,877,378 |
| Less: Credit balance of investments accounted for using equity method such as Teco Electric Europe Limited (shown as deductions on accounts receivable - related parties and other receivables - related parties) | (11,878) | (79,804) |
| | <u>\$ 50,330,564</u> | <u>\$ 47,797,574</u> |

The share of profit/loss of associates and joint ventures accounted for under equity method for the years ended December 31, 2019 and 2018 are as follows:

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|
| Subsidiaries: | | |
| 1. Teco Holding USA Inc. | \$ 816,275 | \$ 576,350 |
| 2. Teco Electric & Machinery (Pte) Ltd. | 123,627 | 137,869 |
| 3. Tong-An Investment Co., Ltd. | 363,774 | 181,547 |
| 4. United View Global Investment Co., Ltd. | 328,009 | 247,200 |
| 5. Eagle Holding Co. | 175,332 | 205,744 |
| 6. Others | 286,287 | 480,016 |
| | <u>2,093,304</u> | <u>1,828,726</u> |
| Associates: | | |
| 1. Tung Pei Industrial Co., Ltd. | 90,544 | 174,843 |
| 2. Lien Chang Electronic Enterprise Co., Ltd. | 3,003 (| 64,244) |
| 3. Kuen Ling Machinery Refrigerating Co., Ltd. (Note) | 24,077 | 41,264 |
| 4. Others | 2,751 | 2,630 |
| | <u>120,375</u> | <u>154,493</u> |
| | <u>\$ 2,213,679</u> | <u>\$ 1,983,219</u> |

Note: The investee was transferred to an associate from a subsidiary and continuously adopted equity method assessment as the Company retained significant influence over the investee after losing its control in the second quarter of 2018.

A. Subsidiaries:

- (a) For the years ended December 31, 2019 and 2018, partial investments accounted for using equity method are valued based on the financial statements audited by the companies' independent accountants. Gain on investment accounted for using equity method and other comprehensive income, net were \$82,978 and \$176,754 for the years ended December 31, 2019 and 2018, respectively. The related balance of investment accounted for using equity method was \$3,698,335 and \$4,076,536 as of December 31, 2019 and 2018, respectively.
- (b) As of December 31, 2019 and 2018, the Company's common stocks owned by its subsidiaries, Tong-An Investment Co., Ltd. and others, totalling \$321,563 (22,443 thousand shares), were transferred from the investments accounted for using equity method to treasury stock.
- (c) Please refer to Note 4(3) of the 2019 consolidated financial statements for related information about subsidiaries of the Company.

B. Associates

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

| Company name | Principal place of business | Shareholding ratio | | Nature of relationship | Method of measurement |
|---|-----------------------------|--------------------|-------------------|------------------------|-----------------------|
| | | December 31, 2019 | December 31, 2018 | | |
| Tung Pei Industrial Co., Ltd. | R.O.C | 31.14% | 31.14% | Financial investment | Equity method |
| Lien Chang Electronic Enterprise Co., Ltd. | R.O.C | 33.84% | 33.84% | " | Equity method |
| Kuen Ling Machinery Refrigerating Co., Ltd. (Note) | R.O.C | 14.62% | 17.61% | " | Equity method |

Note: The investee was transferred to an associate from a subsidiary and continuously adopted equity method assessment as the Company retained significant influence over the investee after losing its control in the second quarter of 2018.

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

Balance sheet

| | Tung Pei Industrial Co., Ltd. | |
|----------------------------------|-------------------------------|---------------------|
| | December 31, 2019 | December 31, 2018 |
| Current assets | \$ 4,672,289 | \$ 5,460,372 |
| Non-current assets | 7,805,002 | 7,845,439 |
| Current liabilities | (3,128,742) | (3,716,167) |
| Non-current liabilities | (1,927,696) | (2,144,772) |
| Total assets | <u>\$ 7,420,853</u> | <u>\$ 7,444,872</u> |
| Share in associate's net assets | \$ 2,086,821 | \$ 2,087,582 |
| Goodwill | - | - |
| Carrying amount of the associate | <u>\$ 2,086,821</u> | <u>\$ 2,087,582</u> |

| | Lien Chang Electronic Enterprise Co., Ltd. | |
|-------------------------|--|---------------------|
| | December 31, 2019 | December 31, 2018 |
| Current assets | \$ 1,583,967 | \$ 1,684,611 |
| Non-current assets | 625,743 | 603,290 |
| Current liabilities | (841,292) | (948,729) |
| Non-current liabilities | (52,102) | (39,090) |
| Total assets | <u>\$ 1,316,316</u> | <u>\$ 1,300,082</u> |

| | | |
|----------------------------------|-------------------|-------------------|
| Share in associate's net assets | \$ 445,494 | \$ 440,000 |
| Goodwill | - | - |
| Carrying amount of the associate | <u>\$ 445,494</u> | <u>\$ 440,000</u> |

| | Kuen Ling Machinery Refrigerating Co., Ltd | |
|-------------------------|--|---------------------|
| | December 31, 2019 | December 31, 2018 |
| Current assets | \$ 1,892,416 | \$ 1,972,061 |
| Non-current assets | 711,800 | 617,860 |
| Current liabilities | (862,521) | (955,868) |
| Non-current liabilities | (290,893) | (163,951) |
| Total assets | <u>\$ 1,450,802</u> | <u>\$ 1,470,102</u> |

| | | |
|----------------------------------|-------------------|-------------------|
| Share in associate's net assets | \$ 198,294 | \$ 241,171 |
| Goodwill | 88,069 | 106,084 |
| Carrying amount of the associate | <u>\$ 286,363</u> | <u>\$ 347,255</u> |

Statement of comprehensive income

| | Tung Pei Industrial Co., Ltd. | |
|--|---|---|
| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
| Revenue | \$ 7,169,410 | \$ 7,913,408 |
| Profit for the period from continuing operations | \$ 283,834 | \$ 564,485 |
| Other comprehensive loss, net of tax | (57,206) | (74,911) |
| Total comprehensive income | <u>\$ 226,628</u> | <u>\$ 489,574</u> |
| Dividends received from associates | <u>\$ 78,290</u> | <u>\$ 117,435</u> |

| Lien Chang Electronic Enterprise Co., Ltd. | | |
|---|---|---|
| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
| Revenue | \$ 2,967,216 | \$ 2,428,431 |
| Gain (loss) profit for the period from continuing operations | \$ 8,872 | (\$ 189,823) |
| Other comprehensive income (loss), net of tax | 7,361 | (67,165) |
| Total comprehensive income (loss) | \$ 16,233 | (\$ 256,988) |
| Dividends received from associates | \$ - | \$ - |

| Kuen Ling Machinery Refrigerating Co., Ltd | | |
|---|---|---|
| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
| Revenue | \$ 2,677,510 | \$ 2,975,329 |
| Profit for the period from continuing operations | \$ 161,616 | \$ 214,794 |
| Other comprehensive loss, net of tax | (27,859) | (9,266) |
| Total comprehensive income | \$ 133,757 | \$ 205,528 |
| Dividends received from associates | \$ 22,263 | \$ 30,223 |

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

As of December 31, 2019 and 2018, the carrying amount of the Company's individually immaterial associates amounted to \$161,266 and \$163,985, respectively.

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|
| Profit for the period from continuing operations | \$ 2,751 | \$ 2,630 |
| Total comprehensive income | \$ 2,751 | \$ 2,630 |

- (d) The fair values of the Company's material associates with quoted market prices are as follows:

| | December 31, 2019 | December 31, 2018 |
|--|-------------------|-------------------|
| 1.Lien Chang Electronic Enterprise Co., Ltd. | \$ 427,981 | \$ 334,125 |
| 2.Kuen Ling Machinery Refrigerating Co., Ltd. | 270,499 | 410,304 |
| | \$ 698,480 | \$ 744,429 |

- C. On May 23, 2018, the shareholders of Kuen Ling Machinery Refrigerating Co., Ltd. (Kuen Ling) during their meeting re-elected directors and supervisors. The Company had 2 seats, and has lost control over the Board of Directors of Kuen Ling, therefore, Kuen Ling and its subsidiaries are no longer included in the Company's consolidated financial statements. In addition, remaining shares were remeasured based on fair value, resulting to a gain on remeasurement amounting to \$46,515. Kuen Ling will be assessed by using equity method subsequently as the Company still has significant influence over to it.
- D. Details of the Company's investments accounted for under the equity method pledged to others as collateral are provided in Note 8.

(7) Property, plant and equipment

| | Land | Buildings and structures | Machinery and equipment | Rental assets - Machinery and equipment | Transportation equipment | Leasehold improvements | Miscellaneous equipment | Total |
|---|---------------------|--------------------------|-------------------------|--|--------------------------|------------------------|-------------------------|---------------------|
| <u>At January 1, 2019</u> | | | | | | | | |
| Cost | \$ 1,635,757 | \$ 1,448,204 | \$ 4,797,238 | \$ 656,797 | \$ 4,863 | \$ 141,121 | \$ 3,698,390 | \$ 12,382,370 |
| Accumulated depreciation and impairment | (34,697) | (595,506) | (4,236,223) | (617,378) | (3,503) | (117,247) | (3,038,286) | (8,642,840) |
| | <u>\$ 1,601,060</u> | <u>\$ 852,698</u> | <u>\$ 561,015</u> | <u>\$ 39,419</u> | <u>\$ 1,360</u> | <u>\$ 23,874</u> | <u>\$ 660,104</u> | <u>\$ 3,739,530</u> |
| <u>2019</u> | | | | | | | | |
| Opening net book amount | \$ 1,601,060 | \$ 852,698 | \$ 561,015 | \$ 39,419 | \$ 1,360 | \$ 23,874 | \$ 660,104 | \$ 3,739,530 |
| Additions | - | 2,810 | 46,093 | - | - | 10,377 | 110,592 | 169,872 |
| Disposals | - | - | (2,536) | - | (15) | - | (19,077) | (21,628) |
| Reclassifications | (12,545) | (10,807) | (25,192) | 25,950 | - | - | (758) | (23,352) |
| Depreciation charge | - | (30,859) | (110,994) | (14,421) | (363) | (15,478) | (172,189) | (344,304) |
| Closing net book amount | <u>\$ 1,588,515</u> | <u>\$ 813,842</u> | <u>\$ 468,386</u> | <u>\$ 50,948</u> | <u>\$ 982</u> | <u>\$ 18,773</u> | <u>\$ 578,672</u> | <u>\$ 3,520,118</u> |
| <u>At December 31, 2019</u> | | | | | | | | |
| Cost | \$ 1,623,212 | \$ 1,445,385 | \$ 4,770,622 | \$ 662,366 | \$ 4,179 | \$ 151,498 | \$ 3,631,913 | \$ 12,289,175 |
| Accumulated depreciation and impairment | (34,697) | (631,543) | (4,302,236) | (611,418) | (3,197) | (132,725) | (3,053,241) | (8,769,057) |
| | <u>\$ 1,588,515</u> | <u>\$ 813,842</u> | <u>\$ 468,386</u> | <u>\$ 50,948</u> | <u>\$ 982</u> | <u>\$ 18,773</u> | <u>\$ 578,672</u> | <u>\$ 3,520,118</u> |

| | Land | Buildings and structures | Machinery and equipment | Transportation equipment | Leasehold improvements | Miscellaneous equipment | Rental assets | Total |
|---|---------------------|--------------------------|-------------------------|--------------------------|------------------------|-------------------------|-------------------|---------------------|
| <u>At January 1, 2018</u> | | | | | | | | |
| Cost | \$ 1,636,564 | \$ 1,485,582 | \$ 5,017,032 | \$ 5,047 | \$ 131,154 | \$ 3,879,633 | \$ 870,492 | \$ 13,025,504 |
| Accumulated depreciation and impairment | (34,697) | (667,037) | (4,476,195) | (3,666) | (101,640) | (3,239,061) | (741,719) | (9,264,015) |
| | <u>\$ 1,601,867</u> | <u>\$ 818,545</u> | <u>\$ 540,837</u> | <u>\$ 1,381</u> | <u>\$ 29,514</u> | <u>\$ 640,572</u> | <u>\$ 128,773</u> | <u>\$ 3,761,489</u> |
| <u>2018</u> | | | | | | | | |
| Opening net book amount | \$ 1,601,867 | \$ 818,545 | \$ 540,837 | \$ 1,381 | \$ 29,514 | \$ 640,572 | \$ 128,773 | \$ 3,761,489 |
| Additions | - | 1,700 | 139,452 | 572 | 12,677 | 179,530 | - | 333,931 |
| Disposals | (807) | (1) | (22,168) | (109) | (299) | (41,677) | - | (65,061) |
| Reclassifications | - | 64,305 | 25,297 | - | - | 54,573 | (79,870) | 64,305 |
| Depreciation charge | - | (31,851) | (122,403) | (484) | (18,018) | (172,894) | (9,484) | (355,134) |
| Closing net book amount | <u>\$ 1,601,060</u> | <u>\$ 852,698</u> | <u>\$ 561,015</u> | <u>\$ 1,360</u> | <u>\$ 23,874</u> | <u>\$ 660,104</u> | <u>\$ 39,419</u> | <u>\$ 3,739,530</u> |
| <u>At December 31, 2018</u> | | | | | | | | |
| Cost | \$ 1,635,757 | \$ 1,448,204 | \$ 4,797,238 | \$ 4,863 | \$ 141,121 | \$ 3,698,390 | \$ 656,797 | \$ 12,382,370 |
| Accumulated depreciation and impairment | (34,697) | (595,506) | (4,236,223) | (3,503) | (117,247) | (3,038,286) | (617,378) | (8,642,840) |
| | <u>\$ 1,601,060</u> | <u>\$ 852,698</u> | <u>\$ 561,015</u> | <u>\$ 1,360</u> | <u>\$ 23,874</u> | <u>\$ 660,104</u> | <u>\$ 39,419</u> | <u>\$ 3,739,530</u> |

- A. For the years ended December 31, 2019 and 2018, no borrowing cost was capitalized as part of property, plant and equipment.
- B. The Company was unable to transfer the title of certain farmland to the Company's name due to legal restrictions. The land title was registered under an individual's name. Accordingly, the Company entered into an agreement with the said individual to secure the title and the first mortgage right.

(8) Leasing arrangements - lessee

Effective 2019

- A. The Company leases various assets including buildings and business vehicles. Rental contracts are typically made for periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | December 31, 2019 | For the year ended December 31, 2019 |
|---|-------------------|---|
| | Carrying amount | Depreciation charge |
| Buildings | \$ 9,650 | \$ 84,897 |
| Transportation equipment (Business vehicles) | 1,768 | 397 |
| | <u>\$ 11,418</u> | <u>\$ 85,294</u> |

- C. For the year ended December 31, 2019, the additions to right-of-use assets was \$5,843.
- D. For the year ended December 31, 2019, the Company's total interest expense and cash outflow for leases were \$798 and \$144,147, respectively.
- E. Expenses on short-term leases and leases of low-value assets which are not subject to IFRS 16 for the year ended December 31, 2019 were \$53,731 and \$2,257, respectively.

(9) Investment property

| | Land | Buildings and structures | Total |
|--|---------------------|-----------------------------|---------------------|
| <u>At January 1, 2019</u> | | | |
| Cost | \$ 1,162,511 | \$ 1,861,764 | \$ 3,024,275 |
| Accumulated depreciation and impairment | - | (964,093) | (964,093) |
| | <u>\$ 1,162,511</u> | <u>\$ 897,671</u> | <u>\$ 2,060,182</u> |
| <u>2019</u> | | | |
| Opening net book amount | \$ 1,162,511 | \$ 897,671 | \$ 2,060,182 |
| Reclassifications | 12,545 | 10,807 | 23,352 |
| Depreciation charge | - | (44,326) | (44,326) |
| Closing net book amount | <u>\$ 1,175,056</u> | <u>\$ 864,152</u> | <u>\$ 2,039,208</u> |
| <u>At December 31, 2019</u> | | | |
| Cost | \$ 1,175,056 | \$ 1,867,393 | \$ 3,042,449 |
| Accumulated depreciation and impairment | - | (1,003,241) | (1,003,241) |
| | <u>\$ 1,175,056</u> | <u>\$ 864,152</u> | <u>\$ 2,039,208</u> |
| | Land | Buildings and structures | Total |
| <u>At January 1, 2018</u> | | | |
| Cost | \$ 1,162,511 | \$ 1,822,836 | \$ 2,985,347 |
| Accumulated depreciation and impairment | - | (817,807) | (817,807) |
| | <u>\$ 1,162,511</u> | <u>\$ 1,005,029</u> | <u>\$ 2,167,540</u> |
| <u>2018</u> | | | |
| Opening net book amount | \$ 1,162,511 | \$ 1,005,029 | \$ 2,167,540 |
| Reclassifications | - | (64,305) | (64,305) |
| Depreciation charge | - | (43,053) | (43,053) |
| Closing net book amount | <u>\$ 1,162,511</u> | <u>\$ 897,671</u> | <u>\$ 2,060,182</u> |
| <u>At December 31, 2018</u> | | | |
| Cost | \$ 1,162,511 | \$ 1,861,764 | \$ 3,024,275 |
| Accumulated depreciation and impairment | - | (964,093) | (964,093) |
| | <u>\$ 1,162,511</u> | <u>\$ 897,671</u> | <u>\$ 2,060,182</u> |

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

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|--|---|---|
| Rental income from investment property | \$ 108,410 | \$ 124,185 |
| Direct operating expenses arising from the investment property that generated rental income during the period | \$ 19,133 | \$ 20,450 |
| Direct operating expenses arising from the investment property that did not generate rental income during the period | \$ - | \$ - |

B. The fair value of the investment property held by the Company as at December 31, 2019 and 2018 was \$3,640,469 and \$3,565,391 respectively. The valuation is based on average closing prices of investment property at the area where the property is located.

(10) Other non-current assets

| | December 31, 2019 | December 31, 2018 |
|-------------------------|-------------------|-------------------|
| Prepayment for property | \$ 1,604 | \$ 4,644 |
| Guarantee deposits paid | 76,984 | 84,001 |
| Deferred expenses | 50,213 | 61,996 |
| Other assets | 1,208 | 1,207 |
| | <u>\$ 130,009</u> | <u>\$ 151,848</u> |

(11) Short-term borrowings

| Type of borrowings | December 31, 2019 | Interest rate range | Collateral |
|----------------------|-------------------|---------------------|------------|
| Bank borrowings | | | |
| Unsecured borrowings | \$ 55,200 | 0.63% | None |
| Type of borrowings | December 31, 2018 | Interest rate range | Collateral |
| Bank borrowings | | | |
| Unsecured borrowings | \$ 49,110 | 0.89%~0.98% | None |

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

- A. The Company held no non-hedging derivative financial liabilities for the years ended December 31, 2019 and 2018.
- B. The Company recognized net (loss) income of (\$227) and \$2,529 on financial liabilities held for trading for the years ended December 31, 2019 and 2018, respectively.
- C. The Company entered into forward foreign exchange contracts to sell to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts and foreign currency loan are not accounted for under hedge accounting.

(13) Bonds payable

| | December 31, 2019 | December 31, 2018 |
|--------------------------------------|---------------------|---------------------|
| Issuance of bonds payable | \$ 4,000,000 | \$ 4,000,000 |
| Less : Bonds payable due in one year | (3,000,000) | - |
| | <u>\$ 1,000,000</u> | <u>\$ 4,000,000</u> |

- A. The terms of the first domestic unsecured ordinary corporate bonds issued by the Company in 2015 are as follows:

The Company issued \$3,000,000, 1.45% first domestic unsecured ordinary corporation bonds, as approved by the regulatory authority on June 18, 2015. The bonds mature 5 years from the issue date (June 18, 2015 ~ June 18, 2020) and will be redeemed at face value at the maturity date.

- B. The terms of the first domestic unsecured ordinary corporate bonds issued by the Company in 2017 are as follows:

The Company issued \$1,000,000, 1.02% first domestic unsecured ordinary corporation bonds, as approved by the regulatory authority on September 15, 2017. The bonds mature 5 years from the issue date (September 15, 2017 ~ September 15, 2022) and will be redeemed at face value at the maturity date.

(14) Long-term borrowings

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2019 |
|---|--|---------------------|------------|---------------------|
| Long-term bank borrowings and commercial papers payable | Borrowing period is from Mar. 29, 2019 to Dec. 3, 2021; payable at maturity | 0.48%~0.98% | None | <u>\$ 4,299,967</u> |
| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2018 |
| Long-term bank borrowings and commercial papers payable | Borrowing period is from Mar. 27, 2018 to Nov. 30, 2020; payable at maturity | 0.35%~0.96% | None | <u>\$ 4,249,725</u> |

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

- B. As of December 31, 2019 and 2018, the Company has undrawn borrowing facilities of \$15,101,362 and \$16,556,434 respectively.

(15) Pensions

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

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

| | December 31, 2019 | December 31, 2018 |
|--|-------------------|-------------------|
| Present value of defined benefit obligations | (\$ 1,697,362) | (\$ 1,774,505) |
| Fair value of plan assets | 171,576 | 227,916 |
| Net defined benefit liability | (\$ 1,525,786) | (\$ 1,546,589) |

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

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|--|------------------------------|----------------------------------|
| For the year ended December 31, 2019 | | | |
| Balance at January 1 | (\$ 1,774,505) | \$ 227,916 | (\$ 1,546,589) |
| Current service cost | (9,588) | - | (9,588) |
| Interest (expense) income | (23,165) | 2,475 | (20,690) |
| | (1,807,258) | 230,391 | (1,576,867) |
| Remeasurements: | | | |
| Return on plan asset (excluding amounts included in interest income or expense) | - | 8,867 | 8,867 |
| Change in demographic assumptions | (2,001) | - | (2,001) |
| Change in financial assumptions | (26,471) | - | (26,471) |
| Experience adjustments | (61,282) | - | (61,282) |
| | (89,754) | 8,867 | (80,887) |
| Pension fund contribution | - | 98,788 | 98,788 |
| Paid pension | 166,470 | (166,470) | - |
| Paid from the account | 33,180 | - | 33,180 |
| Balance at December 31 | (\$ 1,697,362) | \$ 171,576 | (\$ 1,525,786) |

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|--|------------------------------|----------------------------------|
| For the year ended December 31, 2018 | | | |
| Balance at January 1 | (\$ 1,809,652) | \$ 248,067 | (\$ 1,561,585) |
| Current service cost | (12,157) | - | (12,157) |
| Interest (expense) income | (30,628) | 4,082 | (26,546) |
| | (1,852,437) | 252,149 | (1,600,288) |
| Remeasurements: | | | |
| Return on plan asset (excluding amounts included in interest income or expense) | - | 6,201 | 6,201 |
| Change in financial assumptions | (55,883) | - | (55,883) |
| Experience adjustments | 15,347 | - | 15,347 |
| | (40,536) | 6,201 | (34,335) |
| Pension fund contribution | - | 81,050 | 81,050 |
| Paid pension | 111,484 | (111,484) | - |
| Paid from the account | 6,984 | - | 6,984 |
| Balance at December 31 | (\$ 1,774,505) | \$ 227,916 | (\$ 1,546,589) |

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|-----------------------|---------------------------------|---------------------------------|
| Discount rate | 0.90% | 1.35% |
| Future salary increas | 1.75% | 2.00% |

Assumptions regarding future mortality experience are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

| | Discount rate | | Future salary increases | |
|---|---------------|---------------|-------------------------|---------------|
| | Increase 0.5% | Decrease 0.5% | Increase 0.5% | Decrease 0.5% |
| December 31, 2019 | | | | |
| Effect on present value of defined benefit obligation | (\$ 68,611) | \$ 64,499 | \$ 64,299 | (\$ 67,700) |
| December 31, 2018 | | | | |
| Effect on present value of defined benefit obligation | (\$ 69,417) | \$ 73,992 | \$ 73,162 | (\$ 69,338) |

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

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

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2020 are \$25,563.
- B.(a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2019 and 2018 were \$69,874 and \$72,264, respectively.

(16) Share capital

- A. As of December 31, 2019, the Company's authorized capital was \$30,305,500, consisting of 3,030,550 thousand shares of ordinary stock, including 100 million shares reserved for employee stock options, and the paid-in capital was \$19,676,929 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|-------------------------------|---------------------------------|---------------------------------|
| Balance at January 1 | 2,002,693 | 2,002,693 |
| Share repurchased and retired | (35,000) | - |
| Balance at December 31 | 1,967,693 | 2,002,693 |

- B. The Board of Directors during its meeting on December 22, 2018 resolved a plan to purchase treasury shares. In addition, the Board of Directors during its meeting on May 3, 2019 resolved a capital reduction through retiring 35,000 thousand of treasury shares and it was registered on June 11, 2019. The purchase amount of treasury shares was \$675,840 and the share capital and capital surplus was decreased by \$350,000 and \$325,840, respectively. As a result, the retirement of treasury shares has no impact to the total amount of stockholders' equity.

C. All of the shares of the Company held by the Company's subsidiaries—Tong-An Investment Co., Ltd. and An-Tai International Investment Co., Ltd. were acquired in or before 2000 for the purpose of general investment. After a regulation of the Company Act was amended in 2000 wherein the shares of the holding company shall not be purchased nor be accepted as a security or pledge by its subsidiary, the two subsidiaries did not acquire additional shares of the Company. In addition, Top-Tower Enterprises Co., Ltd. also held the Company's shares before the Company obtained control of Top-Tower Enterprises Co., Ltd. in August, 2013, and did not acquire additional shares of the Company again after the Company obtained its control. As of December 31, 2019 and 2018, book value of the shares of the Company held by the three subsidiaries amounted to \$321,563.

Details are as follows:

| | December 31, 2019 | | |
|---|--------------------------|----------------------|------------------------------|
| | Shares (in thousands) | Cost (in dollars) | Market value (in dollars) |
| Tong-An Investment Co., Ltd. | 19,540 | \$ 14.92 | 26.20 |
| An-Tai International Investment Co., Ltd. | 2,826 | 10.37 | 26.20 |
| Top-Tower Enterprises Co., Ltd. | 77 | 9.37 | 26.20 |
| | <u>22,443</u> | | |
| | December 31, 2018 | | |
| | Shares (in thousands) | Cost (in dollars) | Market value (in dollars) |
| Tong-An Investment Co., Ltd. | 19,540 | \$ 14.92 | 17.45 |
| An-Tai International Investment Co., Ltd. | 2,826 | 10.37 | 17.45 |
| Top-Tower Enterprises Co., Ltd. | 77 | 9.37 | 17.45 |
| | <u>22,443</u> | | |

(17) Capital surplus

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

B. The impact of the share capital retirement of 2019 on capital surplus is provided in Note 6(16).

(18) Retained earnings and legal reserve

A. As stipulated in the Company's Articles of Incorporation, the current earnings, if any, shall be distributed in the following order:

- (a) Payment of taxes and duties.
- (b) Covering prior years' accumulated deficit, if any.
- (c) After deducting items (a) and (b), set aside 10% of the remaining amount as legal reserve.
- (d) Set aside a certain amount as special reserve, if any.
- (e) Distributing the remaining amount plus prior years' retained earnings to shareholders according to their shareholding percentage. The distribution rate is principally 80%, of which cash dividend shall account for 5% ~ 50% of the distributed amount.

B. The Company's dividend policy is summarized below:

The Company's operating environment is in the stable growth stage. However, investee companies are still in the growth stage. In view of the future plant expansion and investment plans, the appropriations of earnings are based on the distributable earnings and appropriate principally 80% to shareholders as dividends. Cash dividends shall account for at least 5% up to maximum of 50% of total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land. As of December 31, 2019, the amount previously set aside as special reserve on initial application of IFRSs and yet to be reversed amounted to \$3,640,779.

E. The Company recognized dividends distributed to owners amounting to \$1,770,924 (\$0.9 (in dollars) per share) and \$1,722,316 (\$0.86 (in dollars) per share) for the years ended December 31, 2019 and 2018, respectively. On March 17, 2020, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2019 was \$1,948,016 at \$0.99 (in dollars) per share.

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6 (24).

(19) Other equity items

| | Unrealized gains on valuation | Currency translation | Total |
|---|----------------------------------|-------------------------|--------------|
| At January 1, 2019 | \$ 3,006,782 | (\$ 1,901,724) | \$ 1,105,058 |
| Unrealized gains and losses on financial assets: | | | |
| –Group | 1,461,127 | - | 1,461,127 |
| –Associates | 1,845,390 | - | 1,845,390 |
| Revaluation transferred to retained earnings | (65,818) | - | (65,818) |
| Currency translation differences: | | | |
| –Group | - | (775,001) | (775,001) |
| At December 31, 2019 | \$ 6,247,481 | (\$ 2,676,725) | \$ 3,570,756 |

| | Unrealized gains on valuation | Currency translation | Total |
|---|----------------------------------|-------------------------|---------------------|
| At January 1, 2018 | \$ - | (\$ 1,759,357) | (\$ 1,759,357) |
| IFRS opening balance adjustment | 1,848,757 | - | 1,848,757 |
| Unrealized gains and losses on financial assets: | | | |
| –Group | 1,271,440 | - | 1,271,440 |
| –Associates | (686,062) | - | (686,062) |
| Revaluation transferred to retained earnings | 572,647 | - | 572,647 |
| Currency translation differences: | | | |
| –Group | - | (142,367) | (142,367) |
| At December 31, 2018 | <u>\$ 3,006,782</u> | <u>(\$ 1,901,724)</u> | <u>\$ 1,105,058</u> |

(20) Operating revenue

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|------------------------|---|---|
| Revenue from customers | <u>\$ 18,873,312</u> | <u>\$ 20,879,719</u> |

A. Disaggregation of revenue from customers

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

| | December 31, 2019 | December 31, 2018 |
|------------------------------------|----------------------|----------------------|
| Sales of heavy industrial products | \$ 11,210,529 | \$ 12,814,190 |
| Sales of home appliances | 4,723,557 | 4,806,609 |
| Others | 94,225 | 54,902 |
| Service revenue | 239,978 | 424,159 |
| Construction contract | 2,605,023 | 2,779,859 |
| | <u>\$ 18,873,312</u> | <u>\$ 20,879,719</u> |

B. Contract assets and liabilities

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|
| Revenue recognized that was included in the contract liability balance at the beginning of the period | | |
| Advance sales receipts | <u>\$ 86,251</u> | <u>\$ 35,076</u> |

(21) Other income

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|------------------------------------|---|---|
| Rental revenue | \$ 123,247 | \$ 141,768 |
| Dividend income | 271,049 | 223,794 |
| Interest income: | | |
| Interest income from bank deposits | 6,123 | 2,847 |
| Other interest income | 5,465 | 6,032 |
| Other non-operating income | 252,394 | 173,934 |
| | <u>\$ 658,278</u> | <u>\$ 548,375</u> |

(22) Other gains and losses

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|
| Net (loss) gain on financial liabilities at fair value through profit or loss | (\$ 227) | \$ 2,529 |
| Net gain (loss) on financial assets at fair value through profit or loss | 88,601 | (103,280) |
| Net currency exchange (loss) gain | (32,637) | 2,456 |
| Loss on disposal of property, plant and equipment | (21,281) | (18,754) |
| Gain on disposal of investments | 8,428 | 1,385 |
| Gain on remeasurement | - | 46,515 |
| Reversal of impairment loss recognized in profit or loss | - | (20,841) |
| Miscellaneous disbursements | (425,184) | (458,557) |
| | <u>(\$ 382,300)</u> | <u>(\$ 548,547)</u> |

Because the Company lost control over Kuen Ling Machinery Refrigerating Co. (Kuen Ling), the Company measured Kuen Ling's shares which were held before the Company lost control over Kuen Ling based on fair value, and recognized the related gain on measurement. Please refer to Note 6(6) for more information.

(23) Finance costs

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|-------------------|---|---|
| Interest expense: | | |
| Bank borrowings | \$ 38,464 | \$ 35,910 |
| Corporate bonds | 53,692 | 53,303 |
| Others | 8,161 | 5,517 |
| | <u>100,317</u> | <u>94,730</u> |
| Finance expenses | 1,991 | 4,451 |
| | <u>\$ 102,308</u> | <u>\$ 99,181</u> |

(24) Expenses by nature (Include employee benefit expense)

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|
| Wages and salaries | \$ 1,650,641 | \$ 1,768,065 |
| Employees' compensation and directors' and supervisors' remuneration | 372,944 | 368,483 |
| Labor and health insurance fees | 152,386 | 156,420 |
| Pension costs | 100,152 | 110,967 |
| Other personnel expenses | 97,866 | 96,913 |
| Depreciation charges on property, plant and equipment and investment property | 388,630 | 398,187 |
| Depreciation charges on right-of-use assets and amortization charges on intangible assets | 104,388 | 19,210 |

- A. The Company's employee benefit expenses are recognized under operating costs, operating expenses and other gains and losses.
- B. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 1%~10% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration.
- C. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$258,192 and \$255,103, respectively; while directors' and supervisors' remuneration was accrued at \$114,752 and \$113,379, respectively. The aforementioned amounts were recognized in salary expenses.
- D. For the year ended December 31, 2019, after considering each year's earnings, the employee benefit expenses were accrued based on past experience and ratio. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$258,192 and \$114,752, and the employees' compensation will be distributed in the form of cash.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the period | \$ 14,516 | \$ 68,376 |
| Tax on undistributed surplus earnings | 111,866 | 101,261 |
| Prior year income tax (over) underestimation | (25,206) | 19 |
| Total current tax | 101,176 | 169,656 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 179,426 | (178,783) |
| Impact of change in tax rate | - | 153,847 |
| Total deferred tax | 179,426 | (24,936) |
| Income tax expense | \$ 280,602 | \$ 144,720 |

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

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|----------------------------------|---|---|
| Currency translation differences | (\$ 19,734) | (\$ 3,000) |
| Impact of change in tax rate | - | (60,232) |
| | (\$ 19,734) | (\$ 63,232) |

B. Reconciliation between income tax expense and accounting profit

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|--|---|---|
| Tax calculated based on profit before tax and statutory tax rate | \$ 700,464 | \$ 658,962 |
| Effects from items disallowed by tax regulation | (429,508) | (593,709) |
| Overestimation of prior year's net deferred tax assets and liabilities | (55,070) | (175,660) |
| Effects by investment tax credits | (27,880) | - |
| Prior year income tax (underestimation) overestimation | (25,206) | 19 |
| Additional tax on undistributed earnings | 111,866 | 101,261 |
| Others | 5,936 | - |
| Impact of change in tax rate | - | 153,847 |
| Income tax expense | \$ 280,602 | \$ 144,720 |

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

| For the year ended December 31, 2019 | | | | |
|--|--------------------|------------------------------------|---|---------------------|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | December 31 |
| Temporary differences | | | | |
| — Deferred tax assets: | | | | |
| Unrealized intercompany profit | \$ 153,105 | (\$ 28,327) | \$ - | \$ 124,778 |
| Impairment loss | 106,505 | (9,726) | - | 96,779 |
| Currency translation differences | 272,684 | - | 19,734 | 292,418 |
| Difference resulting from different useful lives of property, plant and equipment between financial and tax basis | 49,596 | (16,644) | - | 32,952 |
| Unrealized expenses | 73,709 | 49,769 | - | 123,478 |
| Permanent loss on investments | 35,080 | - | - | 35,080 |
| Loss on inventory | 53,303 | (11,268) | - | 42,035 |
| Over provision of allowance for doubtful accounts | 13,601 | (1,883) | - | 11,718 |
| Others | 46,156 | (16,625) | - | 29,531 |
| | <u>803,739</u> | <u>(34,704)</u> | <u>19,734</u> | <u>788,769</u> |
| — Deferred tax liabilities: | | | | |
| Investment income from foreign investments | 706,626 | 139,902 | - | 846,528 |
| Land value incremental reserve | 107,472 | - | - | 107,472 |
| Others | - | 4,820 | - | 4,820 |
| | <u>814,098</u> | <u>144,722</u> | <u>-</u> | <u>958,820</u> |
| | <u>(\$ 10,359)</u> | <u>(\$ 179,426)</u> | <u>\$ 19,734</u> | <u>(\$ 170,051)</u> |

| For the year ended December 31, 2018 | | | | |
|--|--------------------|------------------------------------|---|--------------------|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | December 31 |
| Temporary differences | | | | |
| —Deferred tax assets: | | | | |
| Unrealized intercompany profit | \$ 212,262 | (\$ 59,157) | \$ - | \$ 153,105 |
| Impairment loss | 90,530 | (3,804) | 19,779 | 106,505 |
| Currency translation differences | 229,231 | - | 43,453 | 272,684 |
| Difference resulting from different useful lives of property, plant and equipment between financial and tax basis | 43,205 | 6,391 | - | 49,596 |
| Unrealized expenses | 58,642 | 15,067 | - | 73,709 |
| Permanent loss on investments | 29,817 | 5,263 | - | 35,080 |
| Loss on inventory | 48,713 | 4,590 | - | 53,303 |
| Over provision of allowance for doubtful accounts | 17,009 | (3,408) | - | 13,601 |
| Others | 65,433 | (19,277) | - | 46,156 |
| | <u>794,842</u> | <u>(54,335)</u> | <u>63,232</u> | <u>803,739</u> |
| —Deferred tax liabilities: | | | | |
| Investment income from foreign investments | 785,897 | (79,271) | - | 706,626 |
| Land value incremental reserve | 107,472 | - | - | 107,472 |
| | <u>893,369</u> | <u>(79,271)</u> | <u>-</u> | <u>814,098</u> |
| | <u>(\$ 98,527)</u> | <u>\$ 24,936</u> | <u>\$ 63,232</u> | <u>(\$ 10,359)</u> |

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

| | December 31, 2019 | December 31, 2018 |
|----------------------------------|-------------------|-------------------|
| Deductible temporary differences | <u>\$ 321,276</u> | <u>\$ 547,202</u> |

E. The Company has not recognized taxable temporary differences associated with investment in certain subsidiaries as deferred tax liabilities. As of December 31, 2019 and 2018, the amounts of temporary difference unrecognized as deferred tax liabilities were \$3,344,376 and \$3,603,720, respectively.

F. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority, except 2016, which is in the process of approval.

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(26) Earnings per share

| For the year ended December 31, 2019 | | | |
|---|------------------|--|------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (in thousands) | Earnings per share (in dollars) |
| <u>Basic (diluted) earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 3,221,717 | 1,949,947 | \$ 1.65 |
| For the year ended December 31, 2018 | | | |
| | Amount after tax | Weighted average number of ordinary shares outstanding (in thousands) | Earnings per share (in dollars) |
| <u>Basic (diluted) earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 3,150,089 | 1,980,250 | \$ 1.59 |

(27) Supplemental cash flow information

Investing activities with partial cash payments:

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|
| Acquisition of property, plant and equipment | \$ 169,872 | \$ 333,931 |
| Add: | | |
| Payables at beginning of the period | 112,043 | 131,025 |
| Less: | | |
| Payables at end of the period | (64,137) | (112,043) |
| Cash paid | \$ 217,778 | \$ 352,913 |

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

| Names of related parties | Relationship with the Company | Names of related parties | Relationship with the Company |
|---|-------------------------------|---|-------------------------------|
| Teco Nanotech Co., Ltd. (Note 1) (Teco Nanotech) | The subsidiary | Yatec Engineering Corporation (Yatec) | The subsidiary |
| Teco International Investment Co., Ltd. (Teco International) | " | An-Tai International Investment Co., Ltd. (An-Tai) | " |
| Tong-An Assets Management & Development Co., Ltd. (Tong-An Assets) | " | Micropac Worldwide Investment (BVI) (Micropac) | " |
| Tong Dai Co., Ltd. (Tong Dai) | " | A-Ok Technical Co., Ltd. (A-Ok Technical) | " |
| Tesen Electric & Machinery Co., Ltd. (Tesen) | " | Taian-Etacom Technology Co., Ltd. (Taian-Etacom) | " |
| Information Technology Total Services Co., Ltd. (ITTS) | " | Perkilangen Elektrik Taian Jaya Sdn. Bhd. (Perkilangen) | " |
| Tong Tai Jung Co., Ltd. (Note 2) (Tong Tai Jung) | " | Taian (Subic) Electric Co., Inc. (Taian Subic) | " |
| Teco Electro Devices Co., Ltd. (Teco Electro) | " | Taian (Malaysia) Electric Sdn., Bhd. (Taian Malaysia) | " |
| Teco Electric & Machinery (Pte) Ltd. (Teco Singapore) | " | E-Joy International Co., Ltd. (E-Joy International) | " |
| Teco Electric Co., Ltd. (Teco Europe) | " | An-Sheng Travel Co., Ltd. (An Sheng) | " |
| Teco Holding USA Inc. (Teco Holding) | " | Teco Vietnam Electric Co., Ltd. (Teco Vietnam) | " |
| GD Teco Taiwan Co., Ltd. (GD Teco) | " | Teco Appliance (H.K.) Co., Ltd. (Teco Appliance) | " |
| Tecom Co., Ltd. (Tecom) | " | Tecnos International Consultant Co., Ltd. (Tecnos) | " |
| Tong-An Investment Co., Ltd. (Tong-An) | " | TECO (PHILIPPINES) 3C & APPLIANCES, INC. (TECO 3C) | " |
| Taiwan Pelican Express Co., Ltd. (Pelican) | " | Tecoson Industrial Development Ltd. (Tecoson) (Note 3) | " |
| Teco Westinghouse Motor Industrial-Canada (Teco Westinghouse Canada) | " | Teco Electronic Devices Co., Ltd. (Teco Devices) | " |
| Teco Westinghouse Motor Company (Teco Westinghouse) | " | Tasia (PTE) Ltd. (Tasia) | " |
| Information Technology Total Service (Hang Zhu) Co., Ltd. (ITTS Hang Zhou) | " | P.T Teco Multiguna Electro (Teco Multiguna) | " |
| Teco Industrial (Malaysia) Sdn. Bhd. (Teco Malaysia) | " | Great Teco, S.L. (Great Teco, S.L.) | " |
| Tecoson HK Co., Ltd. (Note 4) (Tecoson HK) | " | Asia Air Tech Industrial Co., Ltd. (AAT) | " |
| Wuxi Teco Electric & Machinery Co., Ltd. (Wuxi Teco) | " | Great Teco Motor Ltd. (GTM) | " |
| Nan Chang Teco Electronic & Machinery Co., Ltd. (Nanchang Teco) | " | Teco Electronic & Machinery (THAI) Co., Ltd. (Teco THAI) | " |
| Wuxi Teco Precision Industry Co. Ltd (Wuxi Teco) | " | Information Technology Total Services (BVI) (ITTS BVI) | " |
| Jiangxi Teco Electric and Machinery Co., Ltd. (Jiangxi Teco) | " | Asia Electric & Machinery (PTE) LTD. (AEM) | " |
| QingDao Teco Precision Mechtronics Co., Ltd. (QingDao Teco) | " | STE Marketing SDN. BHD (STEM) | " |
| Xiamen Teco Technology Co., Ltd. (Note 5) (Xiamen Teco) | " | Sankyo Co., Ltd. (Sankyo) | " |
| Asia Innovative Technology Co., Ltd. (Xiamen An-Tai) | " | Teco Electric & Machinery B.V. (Teco Netherlands) | " |
| An-Tai International Investment (Pte) Ltd. (An-Tai Singapore) | " | TYM Electric & Machinery Sdn. Bhd. (TYM) | " |

| Names of related parties | Relationship with the Company | Names of related parties | Relationship with the Company |
|--|-------------------------------|---|-------------------------------|
| Antech Automation Corp. (Antech) | The subsidiary | Teco (Dong Guang) Air Conditioning Equipment Co., Ltd. (Teco Dong Guang) | The subsidiary |
| An-Hubbell-Taian Co., Ltd. (An-Hubbell) | " | Unison Service Corporation (Unison) | " |
| Universal Mailing Service Co., Ltd. (Universal) | " | Kuenling Machinery Refrigerating Co., Ltd. (Kuenling Refrigerating) (Note 6) | " |
| Teco Australia Pty. Ltd. (Teco Australia) | " | Baycom Opto-Electronics Technology Co., Ltd. (Baycom) | " |
| Jack Property Service & Management Company (Jack Property) | " | Tecom International Investment Co., Ltd. (Tecom International) | " |
| Tai-An Technology (Wuxi) Co., Ltd. (Tai-An Wuxi) | " | Teco Sichuan Trading Co., Ltd. (Teco Sichuan) | " |
| P.T Teco Elektro Indonesia (P.T Teco) | " | Qingdao Teco Innovation Co., Ltd. (Qingdao Teco Innovation) | " |
| Teco Group Science-Technology (Hang Zhou) Co., Ltd. (Teco Hang Zhou) | " | Shanghai Teco Electric & Machinery Co., Ltd. (Shanghai Teco) | " |
| Information Technology Total Services (Xiamen) Ltd. (ITTS Xiamen) | " | TECO Elektrik Turkey A.S. (Turkey Teco) | " |
| Fujian Teco Precision Co., Ltd. (Fujian Teco) | " | Hunan TECO WindEnergy Limited (Hunan Teco) | " |
| United View Global Investment Co., Ltd. (UVG) | " | Taian Electric Co., Ltd. (Taian) | " |
| Jiangxi TECO Air Conditioning Equipment Co., Ltd. (Jiangxi Teco Air) | " | Information Technology Total Services (Wuxi) Co., Ltd. (ITTS Wuxi) | " |
| Tianjin Teco Technology Co., Ltd. (Note 7) (Tianjin Teco) | " | Tension Envelope Taiwan Co., Ltd. (Tension) | Associate |
| Top-Tower Enterprises Co., Ltd. (Top-Tower) | " | Don-Zi International Investment Co., Ltd. | " |
| Ching Chi International Limited (Note 7) (Ching Chi) | " | Qingdao TECO Century Advance High-tech Mechnronics Co., Ltd. (TECO Century) | " |
| Teco Yaskawa Motor Engineering Co. (Note 8) (Yaskawa) | " | Teco Middle East Electrical & Machinery Co., Ltd. (TME) | " |
| Motovario S.p.A. (Motovario) | " | TG Teco Vacuum Insulated Glass Corp. (TG Teco) | " |
| United Development Corporation Ltd. (United Development) | " | Jiangxi Teco-Lead PM Generator Manufacturing Co., Ltd. (Note 7) (Jiangxi Teco-Lead) | " |
| Century Development Corporation Ltd. (Century Development) | " | Lien Chang Electronic Enterprise Co., Ltd. (Lien Chang) | " |
| TEMICO INTERNATIONAL PTE. LTD. (TEMICO) | " | Taian Shen Electric Co., Ltd. (Taian Shen) | " |
| Century Tech. C&M Corp. | " | Tecma Information Systems Sdn. Bhd. (TECMA) | " |
| TECO Westinghouse Motor Company S.A. de C.V. (TWMM) | " | Gen Mao International Corp. | " |
| AM SMART Technology CO., LTD | " | Electrical Trading Co., Ltd. (Shanghai Xiangseng) | " |
| Teco.Sun Energy Co., Ltd. | " | Genmao Electronics (Suzhou) Co., Ltd. | " |
| ROPALI - TECO CORPORATION (ROTECO) | " | Teco-Motech Co., Ltd. (Teco-Motech) | " |
| Royal Host Taiwan Co., Ltd. (Royal) | Associate | Fujio Food System Taiwan Co., Ltd. (Fujio Food) | " |
| Tung Pei Industrial Co., Ltd. (Tung Pei) | " | Le-Li Co., Ltd. (Le-Li) | " |
| Creative Sensor Inc. (Creative Sensor) | " | Senergy Wind Power Co., Ltd. (Note 7) (Senergy Wind Power) | " |
| An-Shin Food Service Co., Ltd. (An-Shin) | " | Teco Image System Co., Ltd. (Teco Image) | Other related party |

Note 1: This company was liquidated in 2019.

Note 2: Tong Dai Co., Ltd. takes December 31, 2019 as the merger base date, absorbs and merges

with Tong Tai Jung Co., Ltd.. Subsequently, Tong Dai Co., Ltd. is the surviving company, and Tong Tai Jung Co., Ltd. is the dissolving company.

Note 3: The Company sold 100% of share in this company on July 25, 2019. Therefore, the company is no longer a related party of the Company.

Note 4: The Company sold 100% of shares in the parent company on July 25, 2019. Therefore, the company is no longer a related party of the Company.

Note 5: In 2019, this company was in the process of liquidation, but has not yet been completed as of December 31, 2019.

Note 6: The investee continued as the Company's associate since the Company retained significant influence over the investee after losing its control in the second quarter of 2018.

Note 7: This company was dissolved in 2019.

Note 8: This company was dissolved in 2018.

(2) Significant related party transactions

A. Sales

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|--|---------------------------------|---------------------------------|
| Sales of goods and services: | | |
| —Subsidiaries | | |
| Teco Westinghouse | \$ 2,867,398 | \$ 3,479,182 |
| Others | 5,838,524 | 6,010,148 |
| —Associates | 251,389 | 298,558 |
| —Other related parties | 4,960 | 347 |
| | <u>\$ 8,962,271</u> | <u>\$ 9,788,235</u> |
| Royalty income (shown as 'other income'): | | |
| —Subsidiaries | | |
| Wuxi Teco | \$ 55,148 | \$ 60,828 |
| Tai-An Wuxi | 17,540 | 26,261 |
| Motovario | 10,700 | 7,635 |
| QingDao Teco | 8,110 | 10,969 |
| Other | 4,373 | 5,466 |
| —Associates | 970 | 390 |
| —Other related parties | 82 | 90 |
| | <u>\$ 96,923</u> | <u>\$ 111,639</u> |

(a) The sales terms, including pricing and collection, were negotiated in consideration of cost, market, competitors and other factors. The unrealized gain from downstream sales amounting to \$500,745 and \$614,532 (shown as '1550 investments accounted for under equity method') for the years ended December 31, 2019 and 2018, respectively, had been eliminated and listed as investments accounted for under equity method.

(b) Royalty income consisted of consulting service income and endorsements and guarantees provided by the Company. The fee was determined in accordance with mutual agreements and collected within the contractual period.

B. Purchases of goods and services

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|------------------------|---------------------------------|---------------------------------|
| Purchases of goods: | | |
| —Subsidiaries | | |
| Tesen | \$ 2,163,041 | \$ 2,270,807 |
| Others | 2,917,072 | 3,429,466 |
| —Associates | 279,845 | 389,790 |
| —Other related parties | - | 190 |
| | <u>\$ 5,359,958</u> | <u>\$ 6,090,253</u> |

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|-------------------|---------------------------------|---------------------------------|
| Shipping expense: | | |
| —Subsidiaries | <u>\$ 122,744</u> | <u>\$ 96,031</u> |
| | Year ended December 31, 2019 | Year ended December 31, 2018 |

| | | |
|------------------|-------------------|-------------------|
| Service expense: | | |
| —Subsidiaries | <u>\$ 100,288</u> | <u>\$ 102,787</u> |

(a) The purchase terms, including pricing and payments, were negotiated in consideration of the general market price and other factors.

(b) The shipping terms, including pricing and payments, were negotiated in consideration of the market price and other factors.

(c) The service terms, including pricing and payments, were negotiated in consideration of the cost, market, competitors and other factors.

C. Notes and accounts receivable

| | December 31, 2019 | December 31, 2018 |
|---|---------------------|---------------------|
| Accounts and notes receivable | | |
| —Subsidiaries | | |
| Teco Westinghouse | \$ 257,129 | \$ 373,218 |
| Others | 1,783,951 | 1,842,556 |
| —Associates | 56,393 | 51,145 |
| —Other related parties | <u>163</u> | <u>337</u> |
| | 2,097,636 | 2,267,256 |
| Less: reclassified to other receivables | <u>(473,040)</u> | <u>(579,125)</u> |
| | 1,624,596 | 1,688,131 |
| Less: balance of long-term equity investments | <u>-</u> | <u>(76,336)</u> |
| | <u>\$ 1,624,596</u> | <u>\$ 1,611,795</u> |

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

no provisions held against receivables from related parties.

- (b) The aforementioned accounts receivable that were past due were \$473,040 and \$579,125 as of December 31, 2019 and 2018, respectively. The ageing of the past due accounts receivable is beyond 90 days.

D. Payables to related parties:

| | December 31, 2019 | December 31, 2018 |
|----------------------------|---------------------|---------------------|
| Accounts and notes payable | | |
| —Subsidiaries | | |
| Wuxi Teco | \$ 353,718 | \$ 406,347 |
| Others | 636,858 | 428,943 |
| —Associates | 140,106 | 203,555 |
| —Other related parties | - | 200 |
| | <u>\$ 1,130,682</u> | <u>\$ 1,039,045</u> |

The payables to related parties arise mainly from purchase transactions and are due 30 to 180 days after the date of purchase. The payables bear no interest.

E. Loan to related parties:

- (a) Receivables from related parties – credit line

| | December 31, 2019 | December 31, 2018 |
|--------------|-------------------|-------------------|
| Subsidiaries | <u>\$ 206,538</u> | <u>\$ 225,724</u> |

- (b) Interest income

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|--------------|---------------------------------|---------------------------------|
| Subsidiaries | <u>\$ 5,454</u> | <u>\$ 6,022</u> |

As of December 31, 2019 and 2018, the Company had loans to subsidiaries amounting to \$155,572 and \$161,223, respectively. The loans to subsidiaries are repayable monthly over 2 years and carry interest at 2.3%~3.5% per annum for the years ended December 31, 2019 and 2018, respectively.

F. Other receivables

- (a) Transfer of accounts receivable that were past due

| | December 31, 2019 | December 31, 2018 |
|------------------|-------------------|-------------------|
| —Subsidiaries | | |
| Teco Netherlands | \$ 293,000 | \$ 326,594 |
| Sankyo | 173,113 | 178,201 |
| Others | 6,927 | 73,878 |
| —Associates | - | 452 |
| | <u>\$ 473,040</u> | <u>\$ 579,125</u> |

(b) Others

| | December 31, 2019 | December 31, 2018 |
|--|-------------------|-------------------|
| —Subsidiaries | | |
| QinDao Teco | \$ 262,410 | \$ 268,144 |
| Others | 371,034 | 443,232 |
| —Associates | 24,430 | 30,313 |
| —Other related parties | 2,879 | 1,468 |
| | <u>660,753</u> | <u>743,157</u> |
| Less: Allowance for doubtful accounts and credit balance of long-term investment | (21,926) | (28,923) |
| | <u>\$ 638,827</u> | <u>\$ 714,234</u> |

The above represents other receivables for rental.

G. Other payables

| | December 31, 2019 | December 31, 2018 |
|-------------------------------|-------------------|-------------------|
| Accounts and notes receivable | | |
| —Subsidiaries | \$ 636,136 | \$ 632,354 |
| —Associates | 2,711 | 2,890 |
| —Other related parties | 316 | 235 |
| | <u>\$ 639,163</u> | <u>\$ 635,479</u> |

Other payables mainly consist of rent payable, etc.

H. Financing with related parties

(a) Payables to related parties - credit line

| | December 31, 2019 | December 31, 2018 |
|--------------|-------------------|-------------------|
| Subsidiaries | <u>\$ 499,800</u> | <u>\$ 509,550</u> |

(b) Interest expense

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|--------------|---------------------------------|---------------------------------|
| Subsidiaries | <u>\$ 7,180</u> | <u>\$ 5,311</u> |

As of December 31, 2019 and 2018, the actual amount of loan that the Company has drawn from subsidiaries amounted to \$499,800 and \$507,150, respectively. The loans are repayable monthly over 2 years and bear interest both at 1.05%~1.96% per annum for the years ended December 31, 2019 and 2018, respectively.

I. Endorsements and guarantees provided to related parties

| | December 31, 2019 | December 31, 2018 |
|---------------|---------------------|---------------------|
| —Subsidiaries | \$ 1,567,293 | \$ 2,311,022 |
| —Associates | 40,773 | 41,772 |
| | <u>\$ 1,608,066</u> | <u>\$ 2,352,794</u> |

J. Property transactions

- (a) The Company rented assets in Quanying and Chungli of Taoyuan County from Tong-An Assets for self-use or rentals. For the years ended December 31, 2019 and 2018, the rent expense were \$0 and \$77,713, respectively. As of December 31, 2019 and 2018, unpaid rent amounted to \$3,924 and \$12,384 (shown as 2220 'other payables – related parties'),

respectively. The rent amount was based on mutual agreement and collected based on the terms of the contract. In adopting IFRS 16 effective 2019, the balance of right-of-use assets and lease liabilities were both \$0 as of December 31, 2019, due to the renting periods ended. The Company recognized depreciation expense and interest expense of right-of-use assets of \$78,118 and \$624, respectively.

- (b) The Company sold a number of compressors (shown as '1600 property, plant and equipment') to QingDao Teco in July, 2011. The contract amounted to \$54,558 and collection progress is in accordance with mutual agreement. After the inspection, the Company accepted the compressors with discounted payments based on mutual agreement in 2014. As of December 31, 2018, remaining receivable amounted to \$29,716 (shown as 1210 'Other receivables – related party').

(3) Key management compensation

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|
| Salaries and other short-term employee benefits | \$ 213,136 | \$ 205,009 |
| Post-employment benefits | 1,559 | 1,748 |
| | <u>\$ 214,695</u> | <u>\$ 206,757</u> |

8. PLEGDED ASSETS

| Pledged asset | Book value | | Purpose |
|--------------------------------------|-------------------|-------------------|---|
| | December 31, 2019 | December 31, 2018 | |
| Other current assets - bank deposits | <u>\$ 6,166</u> | <u>\$ 16,308</u> | Special bank account for government grant |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

| | December 31, 2019 | December 31, 2018 |
|-------------------------------|-------------------|-------------------|
| Property, plant and equipment | <u>\$ 4,686</u> | <u>\$ 13,808</u> |

B. Operating lease commitments

The Company leases offices, factory and warehouse under non-cancellable operating lease agreements. The lease terms are between 1 and 2 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | December 31, 2019 |
|---|-------------------|
| Not later than one year | \$ 86,653 |
| Later than one year but not later than five years | 52,913 |
| | <u>\$ 139,566</u> |

C. As of December 31, 2019, the outstanding usance L/C used for acquiring raw materials and equipment was \$180,755.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

| | December 31, 2019 | December 31, 2018 |
|--|----------------------|----------------------|
| <u>Financial assets</u> | | |
| Financial assets at fair value through profit or loss | | |
| Financial assets mandatorily measured at fair value through profit or loss | \$ 1,966,144 | \$ 1,835,790 |
| Financial assets at fair value through other comprehensive income | | |
| Designation of equity | \$ 7,459,586 | \$ 5,983,461 |
| Financial assets at amortised cost /Loans and receivables | | |
| Cash and cash equivalents | \$ 704,888 | \$ 1,232,796 |
| Notes receivable | 648,141 | 732,576 |
| Accounts receivable | 2,647,547 | 2,813,845 |
| Other receivables | 1,204,104 | 1,356,297 |
| Guarantee deposits paid | 76,984 | 84,001 |
| | <u>\$ 5,281,664</u> | <u>\$ 6,219,515</u> |
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortised cost | | |
| Short-term borrowings | \$ 55,200 | \$ 49,110 |
| Notes payable | 144,642 | 169,201 |
| Accounts payable | 3,615,323 | 4,248,129 |
| Other payables | 3,236,885 | 3,225,945 |
| Bonds payable (including current portion) | 4,000,000 | 4,000,000 |
| Long-term borrowings (including current portion) | 4,299,967 | 4,249,725 |
| Guarantee deposits received | 21,740 | 22,496 |
| Lease liabilities | 10,504 | - |
| | <u>\$ 15,384,261</u> | <u>\$ 15,964,606</u> |

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(12).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from recognized assets and liabilities.
- ii. Management has set up a policy to require Company entities to manage their foreign exchange risk against their functional currency. The entities are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(12).
- iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| December 31, 2019 | | | | | | | | | | | |
|---|-----|-----------------------------------|------------------|----------------------|------------------------|-----------------------------|--|----|--------|----|---|
| Foreign | | | | Sensitivity Analysis | | | | | | | |
| | | currency amount (In thousands) | Exchange rate | Book value (NTD) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income | | | | |
| (Foreign currency: functional currency) | | | | | | | | | | | |
| <u>Financial assets</u> | | | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | | | |
| USD:NTD | USD | \$ | 45,350 | 29.9800 | \$ | 1,359,593 | 1% | \$ | 13,596 | \$ | - |
| EUR:NTD | EUR | | 13,652 | 33.5900 | | 458,571 | 1% | | 4,586 | | - |
| JPY:NTD | JPY | | 924,486 | 0.2760 | | 255,158 | 1% | | 2,552 | | - |
| RMB:NTD | RMB | | 75,254 | 4.3050 | | 323,968 | 1% | | 3,240 | | - |
| AUD:NTD | AUD | | 5,898 | 21.0050 | | 123,887 | 1% | | 1,239 | | - |
| <u>Non-monetary items</u> | | | | | | | | | | | |
| USD:NTD | USD | | 658,303 | 29.9800 | | 19,735,935 | | | | | |
| EUR:NTD | EUR | | 125,250 | 33.5900 | | 4,207,132 | | | | | |
| SGD:NTD | SGD | | 150,929 | 22.2800 | | 3,362,698 | | | | | |
| VND:NTD | VND | | 242,922,308 | 0.0013 | | 315,799 | | | | | |
| MYR:NTD | MYR | | 14,387 | 7.3161 | | 105,260 | | | | | |
| <u>Financial liabilities</u> | | | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | | | |
| USD:NTD | USD | | 45,896 | 29.9800 | | 1,375,962 | 1% | | 13,760 | | - |
| EUR:NTD | EUR | | 620 | 33.5900 | | 20,826 | 1% | | 208 | | - |
| JPY:NTD | JPY | | 216,304 | 0.2760 | | 59,700 | 1% | | 597 | | - |

| | | December 31, 2018 | | | | |
|---|-----|-----------------------------------|------------------|----------------------|------------------------|--|
| | | Foreign | | Sensitivity Analysis | | |
| | | currency amount (In thousands) | Exchange rate | Book value (NTD) | Degree of variation | Effect on profit or loss |
| | | | | | | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | | | |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | USD | \$ | 30.7150 | \$ 2,149,774 | 1% | \$ 21,498 |
| EUR:NTD | EUR | | 35.2000 | 580,061 | 1% | 5,801 |
| JPY:NTD | JPY | | 0.2782 | 257,743 | 1% | 2,577 |
| RMB:NTD | RMB | | 4.4720 | 319,211 | 1% | 3,192 |
| AUD:NTD | AUD | | 21.6650 | 93,766 | 1% | 938 |
| <u>Non-monetary items</u> | | | | | | |
| USD:NTD | USD | | 30.7150 | 18,980,249 | | |
| EUR:NTD | EUR | | 35.2000 | 4,311,420 | | |
| SGD:NTD | SGD | | 22.4800 | 3,302,731 | | |
| VND:NTD | VND | | 0.0013 | 337,986 | | |
| MYR:NTD | MYR | | 7.3789 | 145,076 | | |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | USD | | 30.7150 | 1,177,091 | 1% | 11,771 |
| EUR:NTD | EUR | | 35.2000 | 74,730 | 1% | 747 |
| JPY:NTD | JPY | | 0.2782 | 18,032 | 1% | 180 |

- v. Total exchange (loss) gain including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018 amounted to (\$32,637) and \$2,456, respectively.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares and open-end funds issued by domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 5% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$98,307 and \$91,790, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$ \$372,979 and \$299,173, respectively, as a result of other comprehensive income classified as equity investment and available-for-sale equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. Company policy is to maintain at least 30% of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. For the years ended December 31, 2019 and 2018, the Company's borrowings at variable rate were mainly denominated in NTD and JPY.
- ii. The Company's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. At December 31, 2019 and 2018, if interest rates at that date had been 0.25% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have been \$8,710 and \$8,598 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

has been a significant increase in credit risk on that instrument since initial recognition: If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

- iv. The Company adopts the assumption under IFRS 9, whereby the default occurs when the contract payments are past due over 90 days.
- v. The Company classifies customers' accounts receivable, contract assets and rents receivable in accordance with credit rating of customer and credit risk on trade. The Company applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable were \$648,141 and \$732,576, \$2,647,547 and \$2,813,845, respectively.
- viii. The Company uses the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable and contract assets. On December 31, 2019 and 2018, the loss rate methodology is as follows:

| December 31, 2019 | | | |
|-------------------|---------------------------|---------------------|--------------------|
| | Expected credit loss rate | Total book value | Loss allowance |
| Not past due | 0%~1% | \$ 994,416 | \$ - |
| Up to 30 days | 0%~2% | 307,653 | (191) |
| 31 to 90 days | 1%~20% | 115,867 | (437) |
| 91 to 180 days | 1%~100% | 30,512 | (206) |
| Over 180 days | 1%~100% | 249,320 | (25,842) |
| | | <u>\$ 1,697,768</u> | <u>(\$ 26,676)</u> |
| December 31, 2018 | | | |
| | Expected credit loss rate | Total book value | Loss allowance |
| Not past due | 0%~1% | \$ 1,321,932 | \$ - |
| Up to 30 days | 0%~2% | 256,184 | - |
| 31 to 90 days | 1%~20% | 84,455 | (872) |
| 91 to 180 days | 1%~100% | 48,013 | (854) |
| Over 180 days | 1%~100% | 251,854 | (26,086) |
| | | <u>\$ 1,962,438</u> | <u>(\$ 27,812)</u> |

| December 31, 2019 | | | |
|-------------------|---------------------------|---------------------|--------------------|
| | Expected credit loss rate | Total book value | Loss allowance |
| Individual | 100% | \$ 25,250 | (\$ 25,250) |
| Group A | 0%~5% | 1,274,424 | (73) |
| Group B | 1%~10% | 240,276 | (25) |
| Group C | 1%~20% | 44,752 | (68) |
| Group D | 1%~40% | 47,854 | (172) |
| Group E | 1%~100% | 65,212 | (1,088) |
| | | <u>\$ 1,697,768</u> | <u>(\$ 26,676)</u> |
| December 31, 2018 | | | |
| | Expected credit loss rate | Total book value | Loss allowance |
| Individual | 100% | \$ 25,250 | (\$ 25,250) |
| Group A | 0%~5% | 1,370,395 | (55) |
| Group B | 1%~10% | 40,235 | (13) |
| Group C | 1%~20% | 110,643 | (98) |
| Group D | 1%~40% | 88,260 | (305) |
| Group E | 1%~100% | 327,655 | (2,091) |
| | | <u>\$ 1,962,438</u> | <u>(\$ 27,812)</u> |

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

| | | For the year ended December 31, 2019 |
|------------------------------|-----------|---|
| | | Notes receivable and accounts receivable |
| At January 1 | \$ | 27,812 |
| Provision for impairment | | 262 |
| Write-offs during the period | (| 1,398) |
| At December 31 | <u>\$</u> | <u>26,676</u> |
| | | For the year ended December 31, 2018 |
| | | Notes receivable and accounts receivable |
| At January 1 | \$ | 27,484 |
| Provision for impairment | | 441 |
| Write-offs during the period | (| 113) |
| At December 31 | <u>\$</u> | <u>27,812</u> |

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants

on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.

- ii. As of December 31, 2019 and 2018, the undrawn credit amounts are \$15,101,362 and \$16,556,434, respectively.
- iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity Companyings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

| December 31, 2019 | Up to 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 5 years |
|---|--------------|-----------------------|-----------------------|-----------------------|
| | \$ | \$ | \$ | \$ |
| Short-term borrowings | 55,200 | - | - | - |
| Notes payable | 144,642 | - | - | - |
| Accounts payable | 3,615,323 | - | - | - |
| Other payables | 3,236,885 | - | - | - |
| Lease liabilities | 6,750 | 1,834 | 1,604 | 487 |
| Bonds payable (including current portion) | 3,000,000 | - | 1,000,000 | - |
| Long-term borrowings (including current portion) | 4,299,967 | - | - | - |

| December 31, 2018 | Up to 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 5 years |
|---|--------------|-----------------------|-----------------------|-----------------------|
| | \$ | \$ | \$ | \$ |
| Short-term borrowings | 49,110 | - | - | - |
| Notes payable | 169,201 | - | - | - |
| Accounts payable | 4,248,129 | - | - | - |
| Other payables | 3,225,945 | - | - | - |
| Bonds payable | - | 3,000,000 | 1,000,000 | - |
| Long-term borrowings (including current portion) | 4,249,725 | - | - | - |

iv. As of December 31, 2019 and 2018, the derivative financial liabilities which were executed by the Company were all due within one year.

(3) Fair value information

A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Company's investment property measured at cost are provided in Note 6(9).

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

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

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

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

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

| <u>December 31, 2019</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|---------------------|----------------|-------------------|---------------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 1,007,844 | \$ - | \$ 958,300 | \$ 1,966,144 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | <u>7,451,793</u> | <u>-</u> | <u>7,793</u> | <u>7,459,586</u> |
| | <u>\$ 8,459,637</u> | <u>\$ -</u> | <u>\$ 966,093</u> | <u>\$ 9,425,730</u> |
| <u>December 31, 2018</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 917,591 | \$ - | \$ 918,199 | \$ 1,835,790 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | <u>5,976,234</u> | <u>-</u> | <u>7,227</u> | <u>5,983,461</u> |
| | <u>\$ 6,893,825</u> | <u>\$ -</u> | <u>\$ 925,426</u> | <u>\$ 7,819,251</u> |

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

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

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

E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. The following table presents the changes in level 3 instruments:

| | Non-derivative equity | |
|---|---|---|
| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
| Beginning balance | \$ 925,426 | \$ 877,620 |
| Gains and losses recognized in profit or loss | 1,213 | 10,938 |
| Gain and loss recognized in other comprehensive income | (14,431) | (24,886) |
| Acquired during the year | 56,514 | 61,754 |
| Sold during the year | (2,629) | - |
| Ending balance | <u>\$ 966,093</u> | <u>\$ 925,426</u> |

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

| | Fair value at December 31, 2019 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---------------------------|---------------------------------------|-----------------------------------|--|--------------------------------|--|
| Non-derivative equity: | | | | | |
| Unlisted shares | \$ 966,093 | Market comparable companies | Price to earnings ratio multiple | 1.04~3.62 | The higher the multiple and control premium, the higher the fair value |
| Private equity fund | | | Discount for lack of marketability | 15%~20% | The higher the discount for lack of marketability, the lower the fair value |
| | Fair value at December 31, 2018 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
| Non-derivative equity: | | | | | |
| Unlisted shares | \$ 925,426 | Market comparable companies | Price to earnings ratio multiple | 0.99~3.46 | The higher the multiple and control premium, the higher the fair value |
| Private equity fund | | | Discount for lack of marketability | 15%~20% | The higher the discount for lack of marketability, the lower the fair value |

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

| December 31, 2019 | | | | | | |
|-------------------|------------------------------------|------------------------------|---------------------|--|---------------------|--|
| Input | Change | Recognized in profit or loss | | Recognized in other comprehensive income | | |
| | | Favourable change | Unfavourable change | Favourable change | Unfavourable change | |
| Financial assets | | | | | | |
| Equity instrument | Discount for lack of marketability | ±5% | | | | |
| | | \$ 47,915 | (\$ 47,915) | \$ 390 | (\$ 390) | |
| December 31, 2018 | | | | | | |
| Input | Change | Recognized in profit or loss | | Recognized in other comprehensive income | | |
| | | Favourable change | Unfavourable change | Favourable change | Unfavourable change | |
| Financial assets | | | | | | |
| Equity instrument | Discount for lack of marketability | ±5% | | | | |
| | | \$ 45,910 | (\$ 45,910) | \$ 361 | (\$ 361) | |

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 4.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative financial instruments undertaken during the reporting periods ended: Please refer to Note 6(12).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

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

14. SEGMENT FINANCIAL INFORMATION

Not applicable.

TECO ELECTRIC & MACHINERY CO., LTD.

Loans to others

For the year ended December 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Creditor | Borrower | General ledger account | Related party | Maximum outstanding balance during the year ended | | Balance at December 31, 2019 (Note 8) | Actual amount drawn down | Interest rate (%) | Nature of loans | Amount of transactions with the borrower | Reason for short-term financing capital | Allowance for doubtful accounts | Collateral | | | Footnote | |
|--------------------|-------------------------------------|--|------------------------------|------------------|---|----------------------|--|--------------------------------|-------------------------|----------------------|---|--|--|------------|-------|---|--------------|--------|
| | | | | | December 31, 2019 | December 31, 2019 | | | | | | | | Item | Value | Limit on loans granted to a single party | | |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | Xiamen An-Tai | Other receivables | Yes | \$ 94,800 | \$ 77,948 | \$ 26,982 | 2.30 | 2.30 | Short-term financing | \$ - | For operating capital | \$ - | - | \$ - | \$ 1,701,195 | \$ 5,670,650 | Note 2 |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | QingDao Teco | " | " | 137,492 | 128,590 | 128,590 | 3.50 | 3.50 | Short-term financing | - | For operating capital | - | - | - | 1,701,195 | 5,670,650 | Note 2 |
| 1 | U.V.G. | Teco Netherlands | " | " | 247,660 | 235,130 | 235,130 | 0.50 | 0.50 | Short-term financing | - | For operating capital | - | - | - | 457,909 | 763,182 | Note 3 |
| 2 | Teco Westinghouse | TWMM | " | " | 69,520 | 65,956 | - | 3.20~3.93 | 3.20~3.93 | Short-term financing | - | For operating capital | - | - | - | 815,963 | 1,631,927 | Note 4 |
| 2 | Teco Westinghouse | TECO ELECTRIC & MACHINERY CO., LTD. | " | " | 316,000 | 299,800 | 299,800 | 1.10~1.96 | 1.10~1.96 | Short-term financing | - | For operating capital | - | - | - | 815,963 | 1,631,927 | Note 4 |
| 3 | Tong-An Assets | TECO ELECTRIC & MACHINERY CO., LTD. | " | " | 200,000 | 200,000 | 200,000 | 1.05 | 1.05 | Short-term financing | - | For operating capital | - | - | - | 524,058 | 524,058 | Note 5 |
| 4 | Jiangxi Teco | QingDao Teco | " | " | 57,538 | 53,812 | - | 3.50 | 3.50 | Short-term financing | - | For operating capital | - | - | - | 74,231 | 148,463 | Note 6 |
| 5 | Century Development | Centurytech Construction and Management Corp., | " | " | 120,000 | 120,000 | 100,000 | 1.5263 | 1.5263 | Short-term financing | - | For operating capital | - | - | - | 123,661 | 412,202 | Note 7 |

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

(1) The Company is '0'.

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

Note 2: In accordance with the company's policy, limit on total loans shall not exceed 10% of the Company's net assets based on the latest financial statements (December 31, 2019), and limit on loans to a single party shall not exceed 3% of the Company's net assets based on the latest financial statements (December 31, 2019).

Note 3: In accordance with U.V.G.'s policy, limit on total loans shall not exceed 10% of U.V.G.'s net assets based on the latest financial statements (December 31, 2019), and limit on loans to a single party shall not exceed 6% of U.V.G.'s net assets based on the latest financial statements (December 31, 2019).

Note 4: In accordance with Teco Westinghouse's policy, limit on total loans shall not exceed 20% of Teco Westinghouse's net assets based on the latest financial statements (December 31, 2019), and limit on loans to a single party shall not 10% of Teco Westinghouse's net assets based on the latest financial statements (December 31, 2019).

Note 5: In accordance with Tong-An Assets' policy, limit on total loans shall not exceed 10% of Tong-An Assets' net assets based on the latest audited financial statement (December 31, 2019), and limit on loans to a single party shall not exceed 10% of Tong-An Assets' net assets based on the latest audited financial statement (December 31, 2019).

Note 6: In accordance with Jiangxi Teco's policy, limit on total loans shall not exceed 10% of Jiangxi Teco's net assets based on the latest financial statements (December 31, 2019), and limit on loans to a single party shall not exceed 5% of Jiangxi Teco's net assets based on the latest financial statements (December 31, 2019).

Note 7: In accordance with Century Development' policy, limit on total loans shall not exceed 10% of Century Development' net assets based on the latest audited financial statement (December 31, 2019), and limit on loans to a single party shall not exceed 3% of Century Development' net assets based on the latest audited financial statement (December 31, 2019).

Note 8: The credit line approved by the Board of Directors.

TECO ELECTRIC & MACHINERY CO., LTD.
Provision of endorsements and guarantees to others
For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Endorser/ guarantor | Party being endorsed/guaranteed | | Limit on endorsements/ guarantees provided for a single party (Note 3) | Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 | Outstanding endorsement/ guarantee amount at December 31, 2019 | Actual amount drawn down | Amount of endorsements / guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%) | Ceiling on total amount of endorsements/ guarantees provided | Provision of endorsements/ guarantees by | | | Footnote |
|--------------------|--|--|--|---|---|---|--------------------------------|--|---|--|--|--|---|----------|
| | | Relationship with the endorser/ guarantor (Note 2) | Company name | | | | | | | | endorsements/ guarantees by parent company to subsidiary | endorsements/ guarantees by subsidiary to parent company | endorsements/ guarantees to the party in Mainland China | |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | (2) | Teco International | \$ 11,341,301 | \$ 100,000 | \$ - | \$ - | \$ - | - | \$ 34,023,902 | Y | N | N | Note 3 |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | (2) | TECO Smart Technologies Co., Ltd. | 11,341,301 | 100,000 | - | - | - | - | 34,023,902 | Y | N | N | " |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | (2) | Motovario | 11,341,301 | 2,085,293 | 1,542,453 | 1,542,453 | - | 2.72 | 34,023,902 | Y | N | N | " |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | (2), (6) | Others | 11,341,301 | 77,663 | 65,613 | 65,613 | - | 0.12 | 34,023,902 | Y | N | N | " |
| 1 | Teco Westinghouse | (4) | TWMM | 815,963 | 24,551 | 9,978 | 9,978 | - | 0.12 | 1,631,927 | Y | N | N | Note 4 |
| 2 | Motovario S.p.A. | (1) | TECNOFIB SRL | 844,872 | 501 | 475 | 475 | - | 0.01 | 2,534,616 | N | N | N | Note 5 |
| 3 | Yatec Engineering Corporation | (4) | Yatec Engineering (VN) Company Limited | 90,269 | 32,321 | - | - | - | - | 180,538 | Y | N | N | Note 6 |
| 4 | Century Development | (6) | CDC DEVELOPMENT INDIA PRIVATE LIMITED | 412,202 | 211,291 | 211,291 | - | - | 5.13 | 824,404 | Y | N | N | Note 7 |
| 5 | Tong-An Assets | (6) | " | 524,058 | 163,260 | 150,934 | - | - | 2.88 | 1,048,116 | N | N | N | Note 8 |
| 6 | Tong-an Investment | (6) | " | 150,934 | 162,648 | 150,934 | - | - | 1.48 | 200,000 | N | N | N | Note 9 |

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

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

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

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: In accordance with the Company's policy, the total guarantee amount shall not exceed 60% of Company's net assets based on the latest financial statements (December 31, 2019), and the guarantee to a single party shall not exceed 20% of the Company's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 4: In accordance with the Teco Westinghouse's policy, the total guarantee amount shall not exceed 20% of Teco Westinghouse's net assets based on the latest financial statements (December 31, 2019), and the guarantee to a single party shall not exceed 10% of Teco Westinghouse's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 5: In accordance with Motovario S.p.A.'s policy, the total guarantee amount shall not exceed 60% of Motovario S.p.A.'s net assets based on the latest financial statements (December 31, 2019), and the guarantee to a single party shall not exceed 20% of Motovario S.p.A.'s net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 6: In accordance with Yatec Engineering Corporation's policy, the total guarantee amount shall not exceed 80% of Yatec Engineering Corporation's net assets based on the latest financial statements (December 31, 2019), and the guarantee to a single party shall not exceed 40% of Yatec Engineering Corporation's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 7: In accordance with Century Development's policy, the total guarantee amount shall not exceed 20% of Century Development's net assets based on the latest financial statements (December 31, 2019), and the guarantee to a single party shall not exceed 10% of Century Development's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 8: In accordance with Tong-An Asset's policy, the total guarantee amount shall not exceed 20% of Tong-An Asset's net assets based on the latest financial statements (December 31, 2019), and the guarantee to a single party shall not exceed 10% of Tong-An Asset's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 9: In accordance with Tong-An Investment Co., Ltd.'s policy, the total guarantee amount shall not exceed NT\$200 million, and the guarantee to a single party shall not exceed NT\$50 million. If due to special needs, the guarantee amount exceeds the limit, stockholders' resolution is required.

TECO ELECTRIC & MACHINERY CO., LTD.

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

December 31, 2019

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | As of December 31, 2019 | | | | Footnote |
|---|-----------------------|--|------------------------|-------------------------|--------------|---------------|--------------|----------|
| | | | | Number of shares | Book value | Ownership (%) | Fair value | |
| TECO ELECTRIC & MACHINERY CO., LTD. | Stock 1 | The Company is a director of the investee | Note 1 | 190,061 | \$ 7,298,326 | 3.38 | \$ 7,298,326 | |
| | Stock 2 | None | " | 9,610 | 80,053 | 0.10 | 80,053 | |
| | Stock 3, etc. | The Company is a director of the investee | " | 5,098 | 81,207 | - | 81,207 | |
| | Stock 4 | None | Note 4 | 10,084 | 165,887 | 0.09 | 165,887 | |
| | Stock 5 | The Company is a director of the investee | " | 11,527 | 344,670 | 1.96 | 344,670 | |
| | Stock 6 | None | " | 47,839 | 373,622 | 1.76 | 373,622 | |
| | Stock 7 | " | " | 2,710 | 20,406 | 0.07 | 20,406 | |
| | Stock 8 | The Company is a director of the investee | " | 32,980 | 308,553 | 10.99 | 308,553 | |
| | Stock 9 | None | " | 7,500 | 314,775 | 5.00 | 314,775 | |
| | Stock 10, etc. | " | " | 22,440 | 213,557 | - | 213,557 | |
| Teco International | Fund 1, etc. | " | " | - | 224,674 | - | 224,674 | |
| | Stock 11, etc. | " | Note 1 | 16,376 | 345,676 | - | 345,676 | |
| | Stock 12, etc. | " | Note 3 | 3,714 | 193,658 | - | 193,658 | |
| | Stock 10, etc. | " | Note 2 | 415 | 6,358 | - | 6,358 | |
| Tong-an Investment | Stock 13 | An investee company accounted for under the equity method by the Company | Note 1 | 19,540 | 511,949 | 0.99 | 511,949 | |
| | Stock 11 | Related party in substance | " | 9,197 | 125,532 | 8.17 | 125,532 | |
| | Stock 14 | None | " | 8,692 | 626,690 | 0.27 | 626,690 | |
| | Stock 15 | " | " | 1,285 | 143,920 | 0.04 | 143,920 | |
| U.V.G | Stock 16 | The Company is a director of the investee | " | 14,050 | 4,074,500 | 10.03 | 4,074,500 | |
| | Stock 17, etc. | " | " | 31,358 | 385,868 | - | 385,868 | |
| | Stock 26 | " | Note 2 | 324 | 8,514 | - | 8,514 | |
| | Stock 18, etc. | " | Note 3 | 12,883 | 750,478 | - | 750,478 | |
| An-Tai International | Stock 16 | " | Note 4 | 1,000 | 290,000 | - | 290,000 | |
| | Fund 2, etc. | " | " | - | 61,124 | - | 61,124 | |
| | Stock 19, etc. | " | Note 1 | 118 | 5,303 | - | 5,303 | |
| | Stock 13 | An investee company accounted for under the equity method by the Company | " | 2,826 | 74,035 | 0.14 | 74,035 | |
| Jie-Zheng Property | Stock 11 | Related party in substance | " | 1,270 | 17,337 | 1.13 | 17,337 | |
| | Stock 20 | " | " | 2,756 | 212,187 | 8.51 | 212,187 | |
| | Stock 21 | None | " | 195 | 10,529 | - | 10,529 | |
| | Stock 18, etc. | " | Note 3 | 1,484 | 85,669 | - | 85,669 | |
| Teco Electro Information Technology Total | Fund 4, etc. | None | Note 2 | - | 35,862 | - | 35,862 | |
| | Stock 11 | Related party in substance | Note 1 | 200 | 2,733 | 0.18 | 2,733 | |
| | Stock 22, etc. | None | " | 3,269 | 31,757 | - | 31,757 | |
| | Stock 16, etc. | " | " | 304 | 86,622 | - | 86,622 | |
| Taiwan Pelican Express | Stock 16 | " | " | 459 | 133,110 | 0.32 | 133,110 | |

As of December 31, 2019

| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | Number of shares | Book value | Ownership (%) | Fair value | Footnote |
|---------------------|-----------------------|--|------------------------|------------------|------------|---------------|------------|----------|
| Teco Australia | Stock 16 | None | Note 1 | 460 | \$ 133,421 | 0.33 | \$ 133,421 | |
| Sankyo | Stock 23 | " | " | 68 | 6,494 | - | 6,494 | |
| Tecom | Stock 2 | " | " | 2,854 | 18,207 | - | 18,207 | |
| | Stock 1 | The Company is a corporate director of the investee | " | 16,222 | 622,928 | 0.29 | 622,928 | |
| Tecom International | Stock 24 | None | Note 3 | 3,354 | 35,886 | 1.69 | 35,886 | |
| | Stock 25, etc. | " | Note 1 | 758 | 680 | - | 680 | |
| | Fund 5, etc. | " | Note 2 | 1,487 | 14,878 | - | 14,878 | |
| Top-Tower | Stock 13 | An investee company accounted for under the equity method by the Company | Note 3 | 77 | 2,023 | - | 2,023 | |
| | Stock 27, etc. | None | " | 3 | 38 | - | 38 | |

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

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

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

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

TECO ELECTRIC & MACHINERY CO., LTD.

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

For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

| Purchaser/seller | Counterparty | Relationship with the counterparty | Transaction | | | Differences in transaction terms compared to third party transactions | | | | Notes/accounts receivable (payable) | | Footnote |
|-------------------------------------|--|--|-------------------|--------------|---------------------------------------|---|------------|-------------|------------|---|---------------|----------|
| | | | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | | |
| | | | | | | | | | | | Purchases (\$ | |
| TECO ELECTRIC & MACHINERY CO., LTD. | Tesen | An investee accounted for under the equity method | Purchases | \$ 2,163,041 | 14% | 30 days | Note 1 | Note 1 | \$ 38,057 | | | |
| | Taian (Subic) | " | " | 168,066 | 1% | " | " | " | (58,919) | (2%) | | |
| | Kuen Ling | " | " | 141,683 | 1% | " | " | " | (95,181) | (3%) | | |
| | Tai-An Wuxi | An indirect investee accounted for under the equity method | " | 473,862 | 3% | " | " | " | (100,190) | (3%) | | |
| | Wuxi Teco | " | " | 761,885 | 5% | " | " | " | (363,350) | (10%) | | |
| | Qing Dao Teco | " | " | 483,702 | 3% | " | " | " | (164,217) | (4%) | | |
| | Teco Industrial (Malaysia) | " | " | 339,320 | 2% | " | " | " | (1,961) | - | | |
| | Sdn. Bhd. | " | " | 333,367 | 2% | " | " | " | (109,290) | (3%) | | |
| | Teco (Vietnam) Electric & Machinery Company Ltd. | " | " | | | | | | | | | |
| | Tong Tai | An investee accounted for under the equity method | Sales | (949,340) | (5%) | 90 days | " | " | 438,893 | 13% | Note 2 | |
| | Tong Tai Jung | " | " | (733,503) | (4%) | " | " | " | - | - | Note 2 | |
| | Taisan | " | " | (174,657) | (1%) | " | " | " | 15,994 | - | | |
| | E-Joy International | " | " | (197,730) | (1%) | " | " | " | 30,306 | 1% | | |
| | Teco Singapore | " | " | (601,573) | (3%) | " | " | " | 52,720 | 2% | | |
| | Teco Westinghouse | An indirect investee accounted for under the equity method | " | (2,867,398) | (15%) | " | " | " | 260,460 | 8% | | |
| | Teco Westinghouse Canada | " | " | (874,249) | (5%) | " | " | " | 61,573 | 2% | | |
| | Teco Australia | " | " | (1,104,309) | (6%) | " | " | " | 214,493 | 7% | | |
| | Top-Tower | " | " | (310,149) | (2%) | " | " | " | 75,447 | 2% | | |
| | Motovario | " | " | (182,297) | (1%) | " | " | " | 47,155 | 1% | | |
| | Sunkyo | " | " | (189,073) | (1%) | " | " | " | 74,515 | 2% | | |
| Teco Nether lands | " | " | (126,872) | (1%) | " | " | " | 74,266 | 2% | | | |

Note 1: Comparable with other types of transactions, trading conditions are handled in accordance with the agreement of the conditions.

Note 2: Tong Tai acquired Tong Tai Jung and set the effective date of the merger on December 31, 2019. Tong Tai was the surviving company while Tong Tai Jung was the dissolved company under the merger.

TECO ELECTRIC & MACHINERY CO., LTD.

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more

December 31, 2019

Table 5

| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2019 | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|-------------------------------------|---|--|---------------------------------|---------------|---|--|---|---------------------------------|
| | | | | | An investee accounted for under the equity method | An indirect investee accounted for under the equity method | | |
| | | | | | | | | |
| TECO ELECTRIC & MACHINERY CO., LTD. | Tong Dai (Note) | An investee accounted for under the equity method | \$ 439,837 | 4.09 | \$ - | - | \$ 162,612 | |
| " | Teco Westinghouse | An indirect investee accounted for under the equity method | 260,679 | 9.01 | - | - | 31,284 | |
| " | QingDao Teco | " | 273,111 | 0.02 | - | - | 188 | |
| " | Teco Australia | " | 216,899 | 5.16 | - | - | 111,056 | |
| " | Sankyo | " | 258,914 | 0.79 | 173,113 | In the process of collection | 16,455 | |
| " | Teco Netherlands | " | 367,266 | 0.37 | 247,337 | " | 19,654 | |
| " | Motovario S. P. A. | " | 110,953 | 1.28 | - | - | 16,224 | |
| Tong-An-Assets | TECO ELECTRIC & MACHINERY CO., LTD. | An investee accounted for under the equity method | 200,000 | - | - | - | - | |
| Teco Westinghouse | " | An indirect investee accounted for under the equity method | 299,800 | - | - | - | - | |
| Wuxi Teco | " | " | 363,350 | 1.98 | - | - | 73,758 | |
| Tai-An Wuxi | " | " | 100,190 | 6.91 | - | - | 77,503 | |
| Qing Dao Teco | " | " | 164,217 | 4.43 | - | - | 131,740 | |
| Electric & Machinery Company Ltd. | " | " | 109,290 | 3.61 | - | - | - | |
| U.V.G. | Teco Netherlands | " | 235,130 | - | - | - | - | |
| Century Development | Centurytech Construction and Management Corp. | " | 100,000 | - | - | - | - | Total amount was \$17,814 |

Note: Tong Tai acquired Tong Tai Jung and set the effective date of the merger on December 31, 2019. Tong Tai was the surviving company while Tong Tai Jung was the dissolved company under the merger.

Table 6

TECO ELECTRIC & MACHINERY CO., LTD.
Significant inter-company transactions during the reporting period
For the year ended December 31, 2019

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | Expressed in thousands of NTD (Except as otherwise indicated) |
|--------------------|-------------------------------------|---|--------------------------|---|------------|--|--|
| | | | | General ledger account | Amount | Transaction terms | |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | Tong Dai (Note 4) | (1) | Notes receivable, accounts receivable and other receivables | \$ 439,837 | Because there is no transaction in same type which can be compared with, it is based on the condition and the period specified in the agreement. | - |
| 0 | " | Teco Westinghouse | " | Accounts receivable and other | 260,679 | " | - |
| 0 | " | QingDao Teco | " | " | 273,111 | " | - |
| 0 | " | Teco Australia | " | " | 216,899 | " | - |
| 0 | " | Teco Netherlands | " | " | 367,266 | " | - |
| 0 | " | Sankyo | " | " | 258,914 | " | - |
| 0 | " | Motovario S. P. A. | " | " | 110,953 | " | - |
| 1 | Wuxi Teco | TECO ELECTRIC & MACHINERY CO., LTD. | (2) | Accounts receivable | 363,350 | " | - |
| 2 | Tai-An Wuxi | " | " | " | 100,190 | " | - |
| 3 | QingDao Teco | " | " | " | 164,217 | " | - |
| 4 | Teco Vietnam | " | " | " | 109,290 | " | - |
| 5 | Teco Westinghouse | " | " | Other receivables | 299,800 | " | - |
| 6 | Tong-An Assets | Centurytech Construction and Management Corp. | (3) | " | 100,000 | " | - |
| 7 | Century Development | " | " | " | 100,000 | " | - |
| 8 | U.V.G | Teco Netherlands | " | " | 235,130 | " | - |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | Teco Westinghouse | (1) | Sales | 2,867,398 | " | 7% |
| 0 | " | Teco Westinghouse Canada | " | " | 874,249 | " | 2% |
| 0 | " | Teco Singapore | " | " | 601,573 | " | 2% |
| 0 | " | Tong Dai (Note 4) | " | " | 949,340 | " | 2% |
| 0 | " | Tong Tai Jung | " | " | 733,503 | " | 1% |
| 0 | " | Teco Australia | " | " | 1,104,309 | " | 2% |
| 0 | " | Top-Tower | " | " | 310,149 | " | 1% |
| 0 | " | Sankyo | " | " | 189,073 | " | 1% |
| 0 | " | E-Joy International | " | " | 197,730 | " | 1% |
| 0 | " | Motovario | " | " | 182,297 | " | 1% |
| 0 | " | Teco Netherlands | " | " | 126,872 | " | 1% |

Table 6

TECO ELECTRIC & MACHINERY CO., LTD.
Significant inter-company transactions during the reporting period
For the year ended December 31, 2019

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | Expressed in thousands of NTD (Except as otherwise indicated) |
|--------------------|----------------------------|--|--------------------------|------------------------|--------------|---|--|
| | | | | General ledger account | Amount | Transaction terms | |
| 9 | Tesen | TECO ELECTRIC & MACHINERY CO., LTD. | (2) | Sales | \$ 2,163,041 | Because there is no transaction in same type which can be compared with, it is based on the condition and the period specified in the agreement. | Percentage of consolidated total operating revenues or total assets (Note 3) 5% |
| 2 | Tai-An Wuxi | " | " | " | 473,862 | " | 1% |
| 1 | Wuxi Teco | " | " | " | 761,885 | " | 2% |
| 3 | QingDao Teco | " | " | " | 483,702 | " | 1% |
| 10 | Teco Industrial (Malaysia) | " | " | " | 339,320 | " | 1% |
| 8 | Teco Vietnam | " | " | " | 333,367 | " | 1% |
| 9 | Taian (Subic) | " | " | " | 168,066 | " | 1% |

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

(1) Parent company is '0'.

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

Note 2: Relationship with the transaction company:

(1) The parent company to the subsidiary.

(2) The subsidiary to the parent company.

(3) The subsidiary to another subsidiary.

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

Note 4: Tong Tai acquired Tong Tai Jung and set the effective date of the merger on December 31, 2019. Tong Tai was the surviving company while Tong Tai Jung was the dissolved company under the merger.

TECO ELECTRIC & MACHINERY CO., LTD.

Information on investees

For the year ended December 31, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2019 | | Net profit (loss) of the investee for the year ended December 31, 2019 | Investment income recognized by the Company for the year ended December 31, 2019 | Footnote |
|-------------------------------------|-------------------------------------|----------------|---|---------------------------------|---------------------------------|-------------------------------------|---------------|--|--|--------------|
| | | | | Balance as at December 31, 2019 | Balance as at December 31, 2018 | Number of shares | Ownership (%) | | | |
| TECO ELECTRIC & MACHINERY CO., LTD. | Tung Pei | Taiwan | Manufacturing of bearings | \$ 12,293 | \$ 12,293 | 39,145,044 | 31.14 | \$ 2,086,821 | \$ 283,834 | None |
| | Tecom | Taiwan | Manufacturing of key telephone system and nonkey service unit telephone system | 431,109 | 431,109 | 200,301,025 | 63.52 | 215,862 (| 115,913) (| 73,163) None |
| | Teco International | Taiwan | Investment holdings, investments in securities and construction of commercial buildings | 100,013 | 100,013 | 67,537,429 | 100 | 1,135,110 | 30,281 | 29,677 None |
| | Teco Holdings and its subsidiaries | U.S.A | Manufacturing and distribution of motors and generators, and investment and trading in USA | 726,428 | 726,428 | 1,680 | 100 | 10,515,754 | 816,321 | 816,275 None |
| | Teco Singapore and its subsidiaries | Singapore | Distribution of the Company's motor products in Singapore | 112,985 | 112,985 | 7,200,000 | 90 | 3,362,698 | 137,363 | 123,627 None |
| | Tong-An | Taiwan | Investment holdings | 2,490,000 | 2,490,000 | 495,724,243 | 99.63 | 9,679,419 | 365,180 | 363,774 None |
| | Teco Electro | Taiwan | Manufacturing of Stepping motors | 82,335 | 128,496 | 10,770,864 | 62.57 | 181,622 | 2,962 | 2,084 None |
| | UVG and its subsidiaries | Cayman Islands | Manufacturing and distribution of the Company's motor products and home appliances, and investment holdings | 8,505,434 | 8,505,434 | 195,416,844 | 100 | 7,617,629 | 341,678 | 328,009 None |
| | ITTS | Taiwan | E-business service, mailing and data management | 116,346 | 121,232 | 11,467,248 | 45.11 | 218,860 | 60,398 | 28,291 None |
| | Tesen | Taiwan | Manufacturing and sales of home appliance | 200,000 | 200,000 | 20,000,000 | 100 | 214,427 | 15,173 | 15,073 None |

| Investor | Investee | Location | Main business activities | Initial investment amount | | | Shares held as at December 31, 2019 | | | Net profit (loss) of the investee for the year ended December 31, 2019 | Investment income recognized by the Company for the year ended December 31, 2019 | Footnote |
|-------------------------------------|---|------------------------|---|---------------------------------|---------------------------------|--|-------------------------------------|---------------|------------|--|--|----------|
| | | | | Balance as at December 31, 2019 | Balance as at December 31, 2018 | | Number of shares | Ownership (%) | Book value | | | |
| TECO ELECTRIC & MACHINERY CO., LTD. | Lien Chang | Taiwan | Manufacturing of color flybacks transformers, mono flyback transformers and mono deflection yokes | \$ 117,744 | \$ 117,744 | | 37,542,159 | 33.84 | \$ 445,494 | \$ 8,872 | \$ 3,003 | None |
| | Tong Dai | Taiwan | Distribution of the Company's motor products in Taichung | 22,444 | 22,444 | | 6,615,234 | 83.53 | 349,777 | 51,132 | 47,362 | Note |
| | Teco Vietnam | Vietnam | Manufacturing and sales of motors | 352,252 | 352,252 | | 29,013,668 | 100 | 315,799 | (22,263) | (22,187) | None |
| | Yatec | Taiwan | Development and maintenance of various electric appliances | 92,389 | 92,389 | | 7,799,996 | 64.95 | 146,537 | 23,435 | 15,242 | None |
| | Tong-An Assets | Taiwan | Real estate business | 2,111,889 | 2,111,889 | | 388,423,711 | 100 | 5,240,578 | 91,589 | 91,334 | None |
| | Taion Subic Micropac (BVI) and its subsidiaries | Philippines | Manufacturing and sales of switches | 165,819 | 165,819 | | 17,131,155 | 76.70 | 173,074 | 12,419 | 9,603 | None |
| | | British Virgin Islands | Manufacturing and distribution of optical fiber apparatus and international trading | 454,923 | 454,923 | | 14,883,591 | 100 | 1,419,907 | 18,865 | 18,963 | None |
| | Century Development | Taiwan | Development and management of industrial park | 951,141 | 951,141 | | 100,592,884 | 28.67 | 1,301,294 | 217,650 | 55,348 | None |
| | An-Tai Pelican | Taiwan | Investment holdings | 150,000 | 150,000 | | 32,653,581 | 100 | 513,021 | 2,381 | 1,596 | None |
| | | Taiwan | Logistics and distribution services | 255,116 | 255,116 | | 24,121,700 | 25.27 | 436,931 | 161,608 | 40,834 | None |
| Eagle Holding Co. TECO MOTOR B.V. | Kuen Ling | Taiwan | Manufacturing, installation, repair, domestic and export sales and leasing of condenser, water cooling, watercooled chiller and freezer | 186,605 | 230,541 | | 11,131,642 | 14.62 | 286,363 | 161,616 | 24,077 | None |
| | Taian-Eiacom Technology Co., Ltd. | Taiwan | Bus bar and manufacturing of its components | 70,330 | 70,330 | | 7,033,000 | 84.73 | 141,450 | 29,878 | 25,317 | None |
| | Eagle Holding Co. | Cayman Islands | Investment holdings | 3,691,723 | 3,691,723 | | 1 | 100 | 4,224,360 | 175,332 | 175,332 | None |
| | TECO MOTOR B.V. Motovario S.p.A | Netherlands Italy | Investment holdings Production and sale of gear reducers and motors | 3,691,723 | 3,691,723 | | 1 | 100 | 4,224,360 | 175,332 | 175,332 | None |
| Tung Pei | | | | 3,989,850 | 3,989,850 | | 18,010,000 | 100 | 4,224,360 | 175,332 | 175,332 | None |
| | Tung Pei (SAMOA) Industrial Co., Ltd. | Samoa | Investment holdings and establishment of overseas distribution channel | 646,343 | 646,343 | | 23,031,065 | 100 | 1,516,092 | 64,659 | 64,659 | None |

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2019 | | Net profit (loss) of the investee for the year ended December 31, 2019 | | Investment income recognized by the Company for the year ended December 31, 2019 | Footnote |
|---------------------|---|------------------------|--|---------------------------------|---------------------------------|-------------------------------------|---------------|--|------------|--|----------|
| | | | | Balance as at December 31, 2019 | Balance as at December 31, 2018 | Number of shares | Ownership (%) | Book value | | | |
| Tecom | Tecom International | Taiwan | Investment holdings | \$ 100,000 | \$ 100,000 | 12,000,000 | 100 | \$ 241,402 | \$ 23,137 | \$ 23,137 | None |
| Tong-An Investment | Baycom | Taiwan | Manufacturing and sales of optical telecom products | 359,656 | 359,656 | 9,619,819 | 28.64 | 124,131 | 8,639 | 2,681 | None |
| | Creative Sensor | Taiwan | Manufacturing and sales of | 87,464 | 87,464 | 7,913,279 | 6.23 | 205,382 | 183,626 | 11,437 | None |
| | Century Development | Taiwan | Development and management of industrial park | 420,646 | 420,646 | 46,235,042 | 13.17 | 637,463 | 217,650 | 28,677 | None |
| | Pelican | Taiwan | Logistics and distribution services | 54,874 | 54,874 | 6,474,468 | 6.78 | 117,276 | 161,608 | 10,960 | None |
| | Century Biotech Development Corp. | Taiwan | Development and construction of real estate | 200,000 | 200,000 | 20,000,000 | 28.57 | 187,724 | (17,683) | (5,052) | None |
| Lien Chang | Century Real Estate (International) Pte. Ltd. | Singapore | Investing in other areas | 274,856 | 274,856 | 9,120,000 | 30 | 242,816 | (26,763) | (8,029) | None |
| | Gen Mao International Corp. | Taiwan | Investment holdings | 92,000 | 92,000 | 12,553,526 | 100 | 134,610 | 5,639 | 5,639 | None |
| | Gen Mao (Singapore) | Singapore | Investment holdings | 582,246 | 582,246 | 27,502,354 | 84.97 | 716,229 | 31,913 | 31,361 | None |
| | Gen Mao (Singapore) | Singapore | Investment holdings | 91,079 | 91,079 | 4,866,045 | 15.03 | 126,681 | 31,913 | 5,547 | None |
| Century Development | Centurytech Construction and Management Corp. | Taiwan | Construction and sales of related raw materials | 98,170 | 98,170 | 10,000,000 | 100 | 68,965 | (51,903) | (50,663) | None |
| Century Development | Jack Property Service & Management Company | Taiwan | Building management servicing | 13,750 | 13,750 | 1,512,500 | 50 | 70,932 | 35,966 | 18,044 | None |
| | United Development | Taiwan | Investment consultancy service for domestic and foreign industrial parks | 25,536 | 25,536 | 4,432,718 | 51.60 | 68,622 | 12,571 | 6,486 | None |
| | Century Biotech Development Corp. | Taiwan | Development and construction of real estate | 300,000 | 300,000 | 30,000,000 | 42.86 | 281,585 | (17,683) | (7,579) | None |
| | Greyback International Property Inc. | Philippines | Housing project in Subic | 9,912 | 9,912 | 144,600 | 30.11 | 10,266 | (1,072) | (322) | None |
| | Century Real Estate (International) Pte. Ltd. | Singapore | Investing in other areas | 365,820 | 365,820 | 12,160,000 | 40.00 | 323,754 | (26,763) | (10,705) | None |
| Teco Electro | Teco Electro Devices Co., Ltd. | British Virgin Islands | Trading and investment holdings | 88,108 | 88,108 | 2,510 | 100 | 120,639 | 4,154 | 4,449 | None |

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2019 | | Net profit (loss) of the investee for the year ended December 31, 2019 | Investment income recognized by the Company for the year ended December 31, 2019 | Footnote |
|------------------------------|---|----------------------------------|---|---------------------------------|---------------------------------|---------------------------------------|---------------------|--|--|-------------------------------------|
| | | | | Balance as at December 31, 2019 | Balance as at December 31, 2018 | Number of shares | Ownership (%) | Book value | | |
| Teco Singapore | Century Development | Taiwan | Development and management of industrial park | \$ 179,222 | \$ 179,222 | 21,264,873 | 6.06 | \$ 249,794 | \$ 217,650 | 13,190 None |
| Teco International Kuen Ling | Creative Sensor Inc. CHING CHI INTERNATIONAL LIMITED | Taiwan British Virgin Islands | Manufacturing and sales of electronic components Investing in other areas | 52,560 201,467 | 52,560 201,467 | 4,326,447 6,200,000 | 3.41 83 | 112,288 436,861 | 183,626 (14,843) | 6,253 (12,312) None |
| Tong-An Assets | Century Development Century Biotech Development Corp. Century Real Estate (International) Pte. Ltd. | Taiwan Taiwan Singapore | Leasing of real estate Development and construction of real estate Investing in other areas | 184,893 200,000 274,856 | 184,893 200,000 274,856 | 17,018,916 20,000,000 9,120,000 | 4.85 28.57 30 | 199,855 187,724 242,816 | 217,650 (17,683) (26,763) | 10,553 (5,052) (8,029) None |

Note: Tong Tai acquired Tong Tai Jung and set the effective date of the merger on December 31, 2019. Tong Tai was the surviving company while Tong Tai Jung was the dissolved company under the merger.

TECO ELECTRIC & MACHINERY CO., LTD.
Information on investments in Mainland China
For the year ended December 31, 2019

Table 8

Expressed in thousands of NT\$
(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019 | | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 | Amount remitted from Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 | Net income of investee for the year ended December 31, 2019 | Ownership held by the Company (direct or indirect)(%) | Investment income (loss) recognized by the Company for the year ended December 31, 2019 | Book value of investments in Mainland China as of December 31, 2019 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019 | Footnote |
|-------------------------------|---|-----------------|----------------------|--|------|---|---|---------|---|---|--|--|--|--|----------|
| | | | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Teco (Dong Guang) | Manufacturing and sales of air conditioners mechanical equipment | \$ 268,799 | Note 2 | \$ 188,139 | \$ - | \$ - | \$ 188,139 | \$ 912 | \$ 100 | \$ 912 | 100 | \$ 912 | \$ 135,279 | \$ - | Note 15 |
| Wuxi Teco | Manufacturing and sales of motors | 1,697,276 | Note 1 | 768,259 | - | - | 768,259 | 180,519 | 82.35 | 180,519 | 82.35 | 152,070 | 1,567,795 | - | Note 15 |
| Taian (Wuxi) | Manufacturing and sales of optical fiber | 495,213 | Note 11 | 205,551 | - | - | 205,551 | 22,201 | 100 | 22,201 | 100 | 22,201 | 1,272,388 | - | Note 15 |
| Nanchang Teco | Manufacturing and sales of home appliances | 456,293 | Note 3 | 456,293 | - | - | 456,293 | 899 | 100 | 899 | 100 | 899 | 6,115 | - | Note 15 |
| Jiangxi Teco | Manufacturing and sales of motors | 1,481,569 | Note 1 | 1,383,653 | - | - | 1,383,653 | 42,455 | 98.07 | 42,455 | 98.07 | 40,162 | 1,404,455 | - | Note 15 |
| QingDao Teco | Manufacturing and sales of dyes | 947,331 | Note 1 | 1,648,510 | - | - | 1,648,510 | 45,716 | 87.6 | 45,716 | 87.6 | 41,011 | 361,085 | - | Note 15 |
| Xiamen Teco | Sales of motors and home appliances | 20,590 | Note 3 | 20,590 | - | - | 20,590 | - | - | - | - | - | - | - | Note 19 |
| Xiamen An-Tui | Development, manufacturing and sales of LCD monitors. Plant rentals and related real estate management | 678,681 | Note 3 | 467,577 | - | - | 467,577 | 7,145 | 100 | 7,145 | 100 | 7,145 | 241,924 | - | Note 15 |
| Teco Han Zhou | Development and consulting of device products | 9,837 | Note 1 | 9,837 | - | - | 9,837 | 2,248 | 100 | 2,248 | 100 | 2,082 | 30,606 | - | Note 16 |
| Teco Century | Manufacturing and sales of compressor | 680,938 | Note 3 | 340,469 | - | - | 340,469 | 16,401 | 24 | 16,401 | 24 | 3,936 | 25,522 | - | Note 16 |
| Fujian Teco | Manufacturing and sales of electronic components | 391,843 | Note 1 | 391,843 | - | - | 391,843 | 3,473 | 100 | 3,473 | 100 | 3,473 | 67,309 | - | Note 16 |

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019 | | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 | Investment Note 2 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 | Net income of the year ended December 31, 2019 | Ownership held by the Company (direct or indirect)(%) | Investment income (loss) recognized by the Company for the year ended December 31, 2019 | Book value of investments in Mainland China as of December 31, 2019 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019 | Footnote |
|--|---|-----------------|----------------------|--|----|--|----------------------|--|--------|---|---|--|--|--|--|--------------------|
| | | | | \$ | \$ | \$ | | \$ | \$ | \$ | \$ | | \$ | \$ | \$ | |
| Ecoelectric International Teco (Tianjin) Innovation | Distribution of air conditioner | \$ 24,004 | Note 2 | - | - | - | | - | - | - | - | 39.9 | \$ 1,371 | \$ 3,892 | - | Note 16 |
| | Central China area Operation center | 15,990 | Note 3 | - | - | 15,990 | | - | 423 | 15,990 | 423 | - | 423 | 14,653 | - | Note 19 |
| Teco (Jiang Xi) | Manufacturing and sales of air conditioning mechanical equipment | 79,813 | Note 3 | - | - | 79,813 | | - | 2,871 | 79,813 | 2,871 | 100 | 2,871 | 124,630 | - | Note 15 |
| Teco Sichuan Trading | Sales of home appliances | 26,522 | Note 11 | - | - | - | | - | - | - | - | - | - | - | - | Note 19 |
| Jiangxi Teco- Lead | Manufacturing and sales of wind generator | 141,079 | Note 1 | - | - | 62,865 | | - | 62,865 | - | - | - | - | - | - | Note 19 |
| Qingdao Teco Innovation | Science Park development and business operations and consulting services | 59,444 | Note 13 | - | - | 59,444 | | - | 197 | 59,444 | 197 | 100 | 197 | 37,019 | - | Note 16 |
| Shanghai Teco | Sales of home appliances | 23,829 | Note 1 | - | - | 23,829 | | - | 65,648 | 23,829 | 65,648 | 100 | 65,644 | 96,411 | - | Note 15 |
| Hunan TECO Wind Energy Limited | Manufacturing, sales and technical services of 2.0 megawatt and above aerogenerator, wheel bay and other components | 240,818 | Note 11 | - | - | 240,818 | | - | 3,258 | 240,818 | 3,258 | 100 | 3,258 | 149,057 | - | Notes 15 and 20 |
| Jiangxi TECO Westinghouse Motor Coil Co., Ltd. | Manufacturing and sales of motors, winding and related parts | 119,840 | Note 12 | - | - | - | | - | 3,389 | - | 3,389 | 100 | 3,389 | 110,724 | - | Note 15 |
| Wuxi TECO Precision Beijing Pelican Express | Production and sale of industrial motors and applications Storage services | 656,500 | Note 14 | - | - | - | | - | 11,639 | - | 11,639 | 100 | 11,639 | 780,421 | - | Note 15 |
| | | 26,422 | Note 4 | - | - | 26,422 | | - | 372 | 26,422 | 372 | 100 | 372 | 2,206 | - | Note 15 |
| Fubon Gehua (Beijing) Trading Co., Ltd. | Merchandise wholesale | 344,643 | Note 5 | - | - | 24,746 | | - | - | 24,746 | - | 1.63 | - | - | - | Notes 17 and 18 |
| Wuhan Tecom | Communication network information, technology development, sales and technology services business | 6,950 | Note 6 | - | - | 6,950 | | - | 1,575 | 6,950 | 1,575 | 100 | 407 | 3,673 | - | Note 15 |
| Tecom Teeh (Wuxi) | R & D, manufacture of broadband access network communication system equipment; sale of products to provide technology services | 485,455 | Note 7 | - | - | 485,455 | | - | 106 | 485,455 | 106 | 100 | 77 | 2,983 | - | Note 15 |

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 | Net income of the year ended December 31, 2019 | Ownership held by the Company (direct or indirect)(%) | Investment income (loss) recognized by the Company for the year ended December 31, 2019 | Book value of investments in Mainland China as of December 31, 2019 | | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019 | Footnote |
|--|--|-----------------|----------------------|--|--|-------------------|---|---|--|--|--|--------|--|----------|
| | | | | | Remitted to Mainland China | back to Taiwan | | | | | 2019 | 2019 | | |
| Tecmo Tech Investment (BVI) | Flat panel displays, IT products, printed circuit board assembly, manufacture, testing and communication products and equipment R & D reproduction | \$ 34,990 | Note 8 | \$ 34,990 | \$ - | \$ - | \$ 34,990 | \$ - | - | \$ - | \$ - | \$ - | - | Note 19 |
| Beijing Tecmo Innovation Technology Co., Ltd. | Intelligent home systems and spare parts of the Internet of things, wholesale, import and export of goods and technology import and export, import and export agency, to provide technical advice, technical training and technical services | 14,566 | Note 8 | 14,566 | - | - | 14,566 | (150) | - | (150) | - | - | - | Note 19 |
| Information Technology (Wuxi) | ERP building, system maintenance and purchases of information appliance | 10,167 | Note 9 | 10,167 | - | - | 10,167 | 1,525 | 100 | 1,525 | 16,355 | - | - | Note 15 |
| Information Technology | ERP building, system maintenance and purchases of information appliance | 2,257 | Note 9 | 2,257 | - | - | 2,257 | 182 | 100 | 182 | 48 | - | - | Note 15 |
| Information Technology | ERP building, system maintenance and purchases of information appliance | 1,000 | Note 9 | - | - | - | - | 117 | 100 | 117 | 685 | - | - | Note 15 |
| Wuxi TECO Precision Industry Co. Ltd. | R&D, manufacturing and sales of motors and provide products sales skills | 115,125 | Note 10 | 86,101 | - | - | 86,101 | 4,154 | 100 | 4,154 | 121,076 | 43,266 | - | Note 15 |

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

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

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

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

Note 5: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Asian Crown International Co., Ltd., Fortune Kingdom Corporation and Hong Kong Fubon Multimedia Technology Co., Ltd. and then invest in Mainland China.

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

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

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

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

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

Note 11: Through investing in investees in the third areas, which then invested in the investee in Mainland China: Invest through Micropac Worldwide (B.V.I) and then invest in Mainland China.

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

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

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

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

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

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

Note 18: As of December 31, 2019, accumulated impairment of \$24,746 was accrued.

Note 19: The liquidation has been completed.

Note 20: The liquidation has not been completed.

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|---|--|--|---|
| TECO Electric & Machinery Co., Ltd. | \$ 6,487,880 | \$ 8,713,487 | \$ 37,022,874 |
| Taiwan Pelican Express Co., Ltd. | 51,168 | 51,168 | 1,037,550 |
| Tecom Co., Ltd. | 541,961 | 754,000 | 216,122 |
| Information Technology Total Services Co., Ltd. | 12,424 | 12,424 | 312,890 |
| Teco Electro Devices Co., Ltd. | 86,101 | 104,259 | 174,278 |

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

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

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

Table 9

TECO ELECTRIC & MACHINERY CO., LTD.
Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas
For the year ended December 31, 2019

Expressed in thousands of NTD
(Except as otherwise indicated)

| | Sale (purchase) | | Property transaction | | Accounts receivable (payable) | | Provision of endorsements and guarantees | | Maximum balance during the year ended December 31, 2019 | | Financing | | Interest during the year ended December 31, 2019 | Others |
|----------------------------|-----------------|------|----------------------|---|-------------------------------|-------|--|---------|---|---------------|------------------------------|---------------|--|--------|
| | Amount | % | Amount | % | Balance at December 31, 2019 | % | Balance at December 31, 2019 | Purpose | Balance at December 31, 2019 | Interest rate | Balance at December 31, 2019 | Interest rate | | |
| Investee in Mainland China | | | | | | | | | | | | | | |
| Wuxi Teco | \$ 21,584 | - | \$ - | - | 5,777 | - | - | - | - | - | - | - | \$ - | - |
| Taian (Wuxi) | 33,509 | - | - | - | 7,147 | - | - | - | - | - | - | - | - | - |
| Jiangxi Teco | 45,049 | - | - | - | 7,580 | - | - | - | - | - | - | - | - | - |
| QingDao Teco | 4,014 | - | - | - | 1,039 | - | - | - | 137,492 | 3.5% | 128,590 | 3.5% | 4,589 | - |
| Xiamen An-Tai | - | - | - | - | - | - | - | - | 94,800 | 2.3% | 77,948 | 2.3% | 865 | - |
| Shanghai Teco | 13,083 | - | - | - | 12,795 | - | - | - | - | - | - | - | - | - |
| Teco (Jiang Xi) | 540 | - | - | - | 1 | - | - | - | - | - | - | - | - | - |
| Wuxi Teco Precision | 1,927 | - | - | - | 1,133 | - | - | - | - | - | - | - | - | - |
| Wuxi Teco | (761,885) | (5%) | - | - | (363,350) | (10%) | - | - | - | - | - | - | - | - |
| Taian (Wuxi) | (473,862) | (3%) | - | - | (100,190) | (3%) | - | - | - | - | - | - | - | - |
| Jiangxi Teco | (90,632) | (1%) | - | - | (16,058) | - | - | - | - | - | - | - | - | - |
| QingDao Teco | (483,702) | (3%) | - | - | (164,217) | (4%) | - | - | - | - | - | - | - | - |
| Xiamen An-Tai | (13,603) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Teco (Jiang Xi) | (37,657) | - | - | - | (6,561) | - | - | - | - | - | - | - | - | - |
| Wuxi Teco Precision | (54,396) | - | - | - | - | - | - | - | - | - | - | - | - | - |

**TECO ELECTRIC & MACHINERY CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2019 AND 2018**

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of TECO Electric & Machinery Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of 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, based on our audits and the audit reports of other independent accountants, as described in the Other matter section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audit of the financial statements for the year ended December 31, 2019 in accordance with ‘Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants’, ‘Jin-Guan-Zheng-Shen-Zi Order No. 1090360805 as approved by the Financial Supervisory Commission’, and generally accepted auditing standards in the Republic of China (“R.O.C GAAS”), and our audit of the financial statements for the year ended December 31, 2018 in accordance with ‘Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants’ and R.O.C GAAS. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical

responsibilities in accordance with the Code. Based on our audits and audit reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Revenue recognition of export sales of heavy industrial products group

Description

Refer to Note 4(34) of the consolidated financial statements for the accounting policies on revenue recognition and Note 14 for the segment financial information. The Group disclosed the financial information of heavy industrial products group and home electric appliance division in the segment financial information. Heavy industrial products group handles the manufacturing and sales of various machinery, equipment and motors. The sales revenue of the heavy industrial products group amounted to NT\$32,754,241 thousand, representing 68% of the consolidated total sales revenue for the year ended December 31, 2019. Aside from domestic sales in Taiwan, the customers of heavy industrial products group are from China, America, Southeast Asia and Europe and the sales terms vary for different customers. Thus, we consider the revenue recognition of export sales of heavy industrial products group as a key audit matter.

How our audit addressed the matter

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

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

Other matter – Reports of other independent accountants

As described in Notes 4(3) and 6(7) of the consolidated financial statements, we did not audit the financial statements of certain subsidiaries and investments accounted for under the equity method. Those financial statements were audited by other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information on the investee disclosed in Note 13 was based solely on the reports of other independent accountants. Total assets amounted to NT\$2,568,293 thousand and NT\$2,630,617 thousand, both constituting 3% of the consolidated total assets as of December 31, 2019 and 2018, respectively, and total operating revenues amounted to NT\$2,949,066 thousand and NT\$2,475,154 thousand, constituting 6% and 5% of consolidated total operating revenues for the years then ended, respectively. The investments accounted for under the equity method amounted to NT\$2,535,314 thousand and NT\$2,630,962 thousand, both constituting 3% of consolidated total assets as of December 31, 2019 and 2018, respectively, the credit balance of investments accounted for under the equity method amounted to NT\$97,139 thousand and NT\$83,459 thousand, both constituting 0% of consolidated total assets as of December 31, 2019 and 2018, respectively, and the share of profit of associates and joint ventures accounted for under the equity method amounted to NT\$7,927 thousand and NT\$143,935 thousand, constituting 0% and 4% of the consolidated total comprehensive income for the years then ended, respectively.

Other matter –Parent company only financial reports

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of TECO Electric & Machinery Co., Ltd. as of and for the years ended December 31, 2019 and 2018.

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

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

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group’s financial reporting process.

Auditor’s 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 a 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 ROC GAAS 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 ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

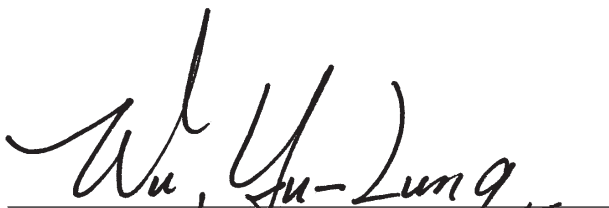
1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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 controls.
 2. Obtain an understanding of internal controls 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 controls.
 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 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.
- We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal

controls that we identify during our audit.

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

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



Wu, Yu-Lung



Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 17, 2020

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

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars)

| Assets | | Notes | December 31, 2019 | | December 31, 2018 | |
|--------------------------|---|-------------|-------------------|-----|-------------------|-----|
| | | | AMOUNT | % | AMOUNT | % |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) and 8 | \$ 19,111,371 | 19 | \$ 17,535,566 | 19 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 126,945 | - | 193,955 | - |
| 1120 | Current financial assets at fair value through other comprehensive income | 6(3) | 1,065,729 | 1 | 995,951 | 1 |
| 1140 | Current contract assets | | 1,521,080 | 2 | 1,350,238 | 2 |
| 1150 | Notes receivable, net | 6(5) and 8 | 1,118,731 | 1 | 1,063,991 | 1 |
| 1160 | Notes receivable - related parties | 7 | 1,457 | - | 2,641 | - |
| 1170 | Accounts receivable, net | 6(5) | 8,780,047 | 9 | 9,102,428 | 10 |
| 1180 | Accounts receivable - related parties | 7 | 232,293 | - | 241,272 | - |
| 1200 | Other receivables | | 497,877 | - | 360,606 | - |
| 1210 | Other receivables - related parties | 7 | 81,369 | - | 70,979 | - |
| 130X | Inventories, net | 6(6) | 9,853,585 | 10 | 11,429,685 | 13 |
| 1410 | Prepayments | | 662,456 | 1 | 432,419 | 1 |
| 1470 | Other current assets | 6(1) and 8 | 893,636 | 1 | 980,640 | 1 |
| 11XX | Total current assets | | 43,946,576 | 44 | 43,760,371 | 48 |
| Total Non-current assets | | | | | | |
| 1510 | Financial assets at fair value through profit or loss - noncurrent | 6(2) | 2,291,217 | 2 | 2,140,203 | 2 |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(3) and 8 | 14,473,017 | 15 | 11,354,525 | 12 |
| 1535 | Non-current financial assets at amortised cost, net | 6(4) and 8 | 377,256 | 1 | 182,725 | - |
| 1550 | Investments accounted for under the equity method | 6(7) and 8 | 3,897,316 | 4 | 4,207,360 | 5 |
| 1600 | Property, plant and equipment, net | 6(8) and 8 | 16,742,830 | 17 | 17,363,543 | 19 |
| 1755 | Right-of-use assets | 6(9) and 8 | 7,119,164 | 7 | - | - |
| 1760 | Investment property, net | 6(10) | 2,762,570 | 3 | 2,783,774 | 3 |
| 1780 | Intangible assets | 6(11) | 5,200,634 | 5 | 5,557,343 | 6 |
| 1840 | Deferred income tax assets | 6(28) | 1,346,817 | 1 | 1,250,743 | 1 |
| 1900 | Other non-current assets | 6(12) and 8 | 937,007 | 1 | 3,380,699 | 4 |
| 15XX | Non-current assets | | 55,147,828 | 56 | 48,220,915 | 52 |
| 1XXX | Total assets | | \$ 99,094,404 | 100 | \$ 91,981,286 | 100 |

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars)

| | Liabilities and Equity | Notes | December 31, 2019 | | December 31, 2018 | |
|------|---|-----------------|----------------------|------------|----------------------|------------|
| | | | AMOUNT | % | AMOUNT | % |
| | Current liabilities | | | | | |
| 2100 | Short-term borrowings | 6(13) and 8 | \$ 1,857,637 | 2 | \$ 1,994,360 | 2 |
| 2120 | Financial liabilities at fair value through profit or loss - current | 6(14) | 50 | - | - | - |
| 2130 | Current contract liabilities | 6(23) | 1,001,440 | 1 | 899,728 | 1 |
| 2150 | Notes payable | | 284,661 | - | 73,105 | - |
| 2160 | Notes payable - related parties | 7 | 81,176 | - | 136,874 | - |
| 2170 | Accounts payable | | 6,783,872 | 7 | 7,517,824 | 8 |
| 2180 | Accounts payable - related parties | 7 | 128,569 | - | 90,047 | - |
| 2200 | Other payables | 6(15) | 4,676,588 | 5 | 4,720,360 | 5 |
| 2230 | Current income tax liabilities | 6(28) | 584,071 | 1 | 690,853 | 1 |
| 2250 | Provisions for liabilities - current | | 273,575 | - | 269,254 | 1 |
| 2280 | Current lease liabilities | | 475,786 | 1 | - | - |
| 2320 | Long-term liabilities, current portion | 6(16)(17) and 8 | 3,410,798 | 3 | 904,492 | 1 |
| 2399 | Other current liabilities, others | | 735,603 | 1 | 844,483 | 1 |
| 21XX | Total current liabilities | | <u>20,293,826</u> | <u>21</u> | <u>18,141,380</u> | <u>20</u> |
| | Non-current liabilities | | | | | |
| 2530 | Corporate bonds payable | 6(16) | 1,000,000 | 1 | 4,000,000 | 4 |
| 2540 | Long-term borrowings | 6(17) and 8 | 6,673,954 | 7 | 6,746,354 | 7 |
| 2550 | Provisions for liabilities - non-current | | 125,014 | - | 113,947 | - |
| 2570 | Deferred income tax liabilities | 6(28) | 2,400,752 | 2 | 2,254,076 | 3 |
| 2580 | Non-current lease liabilities | | 4,743,306 | 5 | - | - |
| 2600 | Other non-current liabilities | 6(7)(18) | 2,152,762 | 2 | 2,234,614 | 2 |
| 25XX | Total non-current liabilities | | <u>17,095,788</u> | <u>17</u> | <u>15,348,991</u> | <u>16</u> |
| 2XXX | Total liabilities | | <u>37,389,614</u> | <u>38</u> | <u>33,490,371</u> | <u>36</u> |
| | Equity attributable to owners of parent | | | | | |
| | Share capital | 6(19) | | | | |
| 3110 | Common stock | | 19,676,929 | 20 | 20,026,929 | 22 |
| | Capital surplus | 6(20) | | | | |
| 3200 | Capital surplus | | 7,389,577 | 7 | 7,647,215 | 8 |
| | Retained earnings | 6(21) | | | | |
| 3310 | Legal reserve | | 6,702,463 | 7 | 6,387,454 | 7 |
| 3320 | Special reserve | | 3,640,779 | 4 | 3,640,779 | 4 |
| 3350 | Unappropriated retained earnings | | 16,047,563 | 16 | 15,192,788 | 17 |
| | Other equity interest | 6(22) | | | | |
| 3400 | Other equity interest | | 3,570,756 | 3 | 1,105,058 | 1 |
| 3500 | Treasury stocks | 6(19) and 8 | (321,563) | - | (321,563) | - |
| 31XX | Equity attributable to owners of the parent | | <u>56,706,504</u> | <u>57</u> | <u>53,678,660</u> | <u>59</u> |
| 36XX | Non-controlling interest | 6(32) | <u>4,998,286</u> | <u>5</u> | <u>4,812,255</u> | <u>5</u> |
| 3XXX | Total equity | | <u>61,704,790</u> | <u>62</u> | <u>58,490,915</u> | <u>64</u> |
| | Significant contingent liabilities and unrecognized contract commitments | 9 | | | | |
| | Significant events after the balance sheet date | 11 | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 99,094,404</u> | <u>100</u> | <u>\$ 91,981,286</u> | <u>100</u> |

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

| Items | Notes | Year ended December 31 | | | |
|---|--------------------|------------------------|-------|---------------|-------|
| | | 2019 | | 2018 | |
| | | AMOUNT | % | AMOUNT | % |
| 4000 Sales revenue | 6(10)(23) and 7 | \$ 47,909,358 | 100 | \$ 50,104,927 | 100 |
| 5000 Operating costs | 6(6)(18)(27) and 7 | (36,428,606) | (76) | (38,052,253) | (76) |
| 5900 Net operating margin | | 11,480,752 | 24 | 12,052,674 | 24 |
| 5910 Unrealized loss from sales | | (8,263) | - | (9,160) | - |
| 5920 Realized profit from sales | | 9,160 | - | 9,145 | - |
| 5950 Net operating margin | | 11,481,649 | 24 | 12,052,659 | 24 |
| Operating expenses | 6(18)(27) | | | | |
| 6100 Selling expenses | | (4,226,261) | (9) | (4,636,195) | (9) |
| 6200 General and administrative expenses | | (2,521,713) | (5) | (2,735,191) | (6) |
| 6300 Research and development expenses | | (1,179,300) | (2) | (1,120,748) | (2) |
| 6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 | 12(2) | (17,930) | - | (40,039) | - |
| 6000 Total operating expenses | | (7,945,204) | (16) | (8,532,173) | (17) |
| 6900 Operating profit | | 3,536,445 | 8 | 3,520,486 | 7 |
| Non-operating income and expenses | | | | | |
| 7010 Other income | 6(4)(9)(10)(24) | 1,398,017 | 3 | 1,264,083 | 3 |
| 7020 Other gains and losses | 6(2)(14)(25) and 7 | (261,570) | - | (389,884) | (1) |
| 7050 Finance costs | 6(9)(26) | (263,848) | (1) | (222,540) | - |
| 7060 Share of profit of associates and joint ventures accounted for under the equity method | 6(7) | 30,410 | - | 114,143 | - |
| 7000 Total non-operating income and expenses | | 903,009 | 2 | 765,802 | 2 |
| 7900 Profit before income tax | | 4,439,454 | 10 | 4,286,288 | 9 |
| 7950 Income tax expense | 6(28) | (920,674) | (2) | (810,319) | (2) |
| 8200 Profit for the year | | \$ 3,518,780 | 8 | \$ 3,475,969 | 7 |

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

| Items | Notes | Year ended December 31 | | | |
|---|-------|------------------------|------|--------------|---|
| | | 2019 | | 2018 | |
| | | AMOUNT | % | AMOUNT | % |
| Other comprehensive income | | | | | |
| Other comprehensive income that will not be reclassified to profit or loss | | | | | |
| 8311 Other comprehensive loss, before tax, actuarial losses on defined benefit plans | 6(18) | (\$ 82,287) | - | (\$ 39,123) | - |
| 8316 Total expenses, by nature | 6(3) | 3,371,209 | 7 | 615,645 | 1 |
| 8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | | 17,170 | - | (24,384) | - |
| 8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(28) | 95 | - | 21,442 | - |
| 8310 Components of other comprehensive income that will not be reclassified to profit or loss | | 3,306,187 | 7 | 573,580 | 1 |
| Other comprehensive income that will be reclassified to profit or loss | | | | | |
| 8361 Currency translation differences of foreign operations | 6(22) | (811,051) | (2) | (185,642) | - |
| 8399 Income tax relating to the components of other comprehensive income that will be reclassified | 6(28) | 25,774 | - | 45,073 | - |
| 8360 Components of other comprehensive loss that will be reclassified to profit or loss | | (785,277) | (2) | (140,569) | - |
| 8300 Other comprehensive income for the year | | \$ 2,520,910 | 5 | \$ 433,011 | 1 |
| 8500 Total comprehensive income for the year | | \$ 6,039,690 | 13 | \$ 3,908,980 | 8 |
| Profit attributable to: | | | | | |
| 8610 Owners of the parent | | \$ 3,221,717 | 8 | \$ 3,150,089 | 6 |
| 8620 Non-controlling interest | | 297,063 | - | 325,880 | 1 |
| | | \$ 3,518,780 | 8 | \$ 3,475,969 | 7 |
| Comprehensive income attributable to: | | | | | |
| 8710 Owners of the parent | | \$ 5,675,634 | 12 | \$ 3,552,538 | 7 |
| 8720 Non-controlling interest | | 364,056 | 1 | 356,442 | 1 |
| | | \$ 6,039,690 | 13 | \$ 3,908,980 | 8 |
| Earnings per share (in dollars) | 6(29) | | | | |
| 9750 Basic earnings per share | | \$ 1.65 | | \$ 1.59 | |
| 9850 Diluted earnings per share | | \$ 1.65 | | \$ 1.59 | |

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

| | Equity attributable to owners of the parent | | | | | | | | | | Non-controlling interest | Total equity | |
|--|---|------------------------------|-----------------|---------------|-----------------------|----------------------------------|--|---|--|-----------------|--------------------------|---------------|-------|
| | Notes | Retained earnings | | | Other equity interest | | | | | Treasury stocks | | | Total |
| | | Share capital - common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | Unrealized gains (losses) on available-for-sale financial assets | | | | |
| 2018 | | | | | | | | | | | | | |
| Balance at January 1, 2018 | | \$ 20,026,929 | \$ 7,628,542 | \$ 6,078,219 | \$ 3,640,779 | \$ 12,750,338 | (\$ 1,759,357) | \$ 1,848,757 | \$ 3,785,878 | \$ 51,829,765 | \$ 6,044,372 | \$ 57,874,137 | |
| Effect of retrospective application of adjustments | | - | - | - | - | 1,937,121 | - | 1,848,757 | (3,785,878) | - | - | - | |
| Balance at 1 January, after adjustments | | 20,026,929 | 7,628,542 | 6,078,219 | 3,640,779 | 14,687,459 | (1,759,357) | 1,848,757 | - | 51,829,765 | 6,044,372 | 57,874,137 | |
| Profit for the year | | - | - | - | - | 3,150,089 | - | - | - | 3,150,089 | 325,880 | 3,475,969 | |
| Other comprehensive (loss) income | 6(22) | - | - | - | - | (40,562) | (142,367) | 585,378 | - | 402,449 | 30,562 | 433,011 | |
| Total comprehensive income (loss) | | - | - | - | - | - | - | 585,378 | - | - | - | - | |
| Appropriations of 2017 earnings | 6(21) | - | - | - | - | 3,109,527 | (142,367) | 585,378 | - | 3,552,538 | 356,442 | 3,908,980 | |
| Legal reserve | | - | - | 309,235 | - | (309,235) | - | - | - | - | - | - | |
| Cash dividends | | - | - | - | - | (1,722,316) | - | - | - | (1,722,316) | - | (1,722,316) | |
| Effect of changes in net equity of associates and joint ventures accounted for under the equity method | | - | 18,673 | - | - | - | - | - | - | 18,673 | - | 18,673 | |
| Changes in non-controlling interests | | - | - | - | - | - | - | - | - | - | (1,588,559) | (1,588,559) | |
| Disposal of investments in equity instruments at fair value through other comprehensive income | 6(3)(22) | - | - | - | - | - | - | - | - | - | - | - | |
| Balance at December 31, 2018 | | \$ 20,026,929 | \$ 7,647,215 | \$ 6,387,454 | \$ 3,640,779 | \$ 15,192,788 | (\$ 1,901,724) | \$ 3,006,782 | \$ 572,647 | \$ 53,678,660 | \$ 4,812,255 | \$ 58,490,915 | |
| 2019 | | | | | | | | | | | | | |
| Balance at January 1, 2019 | | \$ 20,026,929 | \$ 7,647,215 | \$ 6,387,454 | \$ 3,640,779 | \$ 15,192,788 | (\$ 1,901,724) | \$ 3,006,782 | \$ - | \$ 53,678,660 | \$ 4,812,255 | \$ 58,490,915 | |
| Effect of retrospective application of adjustments | 3(1) | - | - | - | - | (269,228) | - | - | - | (269,228) | (208,421) | (477,649) | |
| Balance at 1 January, after adjustments | | 20,026,929 | 7,647,215 | 6,387,454 | 3,640,779 | 14,923,560 | (1,901,724) | 3,006,782 | - | 53,409,432 | 4,603,834 | 58,013,266 | |
| Profit for the year | | - | - | - | - | 3,221,717 | - | - | - | 3,221,717 | 297,063 | 3,518,780 | |
| Other comprehensive (loss) income | 6(22) | - | - | - | - | (77,599) | (775,001) | 3,306,517 | - | 2,453,917 | 66,993 | 2,520,910 | |
| Total comprehensive income (loss) | | - | - | - | - | - | - | 3,306,517 | - | - | 364,056 | 364,056 | |
| Appropriations of 2018 earnings | 6(21) | - | - | - | - | 3,144,118 | (775,001) | 3,306,517 | - | 5,675,634 | - | 6,039,690 | |
| Legal reserve | | - | - | 315,009 | - | (315,009) | - | - | - | - | - | - | |
| Cash dividends | | - | - | - | - | (1,770,924) | - | - | - | (1,770,924) | - | (1,770,924) | |
| Treasury stock acquired | 6(19) | - | - | - | - | - | - | - | - | - | - | - | |
| Treasury stock retired | 6(19)(20) | (350,000) | (325,840) | - | - | - | - | - | - | (675,840) | (675,840) | (675,840) | |
| Transactions with non-controlling interest | | - | 68,202 | - | - | - | - | - | - | 68,202 | (68,202) | - | |
| Disposal of investments in equity instruments at fair value through other comprehensive income | 6(3)(22) | - | - | - | - | - | - | (65,818) | - | - | - | - | |
| Capital increase of non-controlling interests | 6(32) | - | - | - | - | 65,818 | - | - | - | - | - | - | |
| Changes in other non-controlling equity | 6(32) | - | - | - | - | - | - | - | - | - | 226,786 | 226,786 | |
| Balance at December 31, 2019 | | \$ 19,676,929 | \$ 7,389,577 | \$ 6,702,463 | \$ 3,640,779 | \$ 16,047,563 | (\$ 2,676,725) | \$ 6,247,481 | \$ - | \$ 56,706,504 | \$ 4,998,286 | \$ 61,704,790 | |

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars)

| | Notes | 2019 | 2018 |
|--|-----------------|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | \$ 4,439,454 | \$ 4,286,288 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Net (gain) loss on financial assets at fair value through profit or loss | 6(2)(23)(25) | (216,570) | 160,975 |
| Net loss (gain) on financial liabilities at fair value through profit or loss | 6(14)(25) | 279 | (2,528) |
| Provision for decline in value of inventories | 6(6) | 105,770 | 88,300 |
| Impairment loss determined in accordance with IFRS 9 | 12(2) | 17,930 | 40,039 |
| Interest income | 6(24) | (316,546) | (219,986) |
| Dividend income | 6(24) | (616,897) | (553,818) |
| Interest expense | 6(9)(26) | 263,848 | 222,540 |
| Depreciation and amortization | 6(8)(9)(10)(27) | 1,939,799 | 1,528,540 |
| Gain on disposal of investments | 6(25) | (34,063) | (631) |
| Gain on remeasurement | 6(7)(25) | - | (46,515) |
| Loss on disposal of property, plant and equipment | 6(25) | 22,635 | 29,086 |
| Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9 | 6(8)(25) | 20,625 | (32,335) |
| Share of profit of associates and joint ventures accounted for under the equity method | 6(7) | (30,410) | (114,143) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Financial assets at fair value through profit or loss - current | | 66,721 | 106,333 |
| Contract assets - current | | (170,842) | (363,976) |
| Notes receivable | | (54,315) | (40,235) |
| Notes receivable - related parties | | 1,184 | (88,707) |
| Accounts receivable | | 483,658 | (211,181) |
| Accounts receivable - related parties | | 8,979 | (82,463) |
| Other receivables | | (137,271) | 233,001 |
| Other receivables - related parties | | (10,390) | (36,135) |
| Inventories | | 1,428,558 | (729,564) |
| Prepayments | | (232,705) | (94,809) |
| Other current assets | | 111,502 | 196,526 |
| Changes in operating liabilities | | | |
| Contract liabilities - current | | 101,712 | 170,447 |
| Notes payable | | 211,556 | (54,021) |
| Notes payable - related parties | | (55,698) | 136,981 |
| Accounts payable | | (705,821) | 266,296 |
| Accounts payable - related parties | | 38,522 | (33,031) |
| Other payables | | 109,307 | 155,244 |
| Provisions for liabilities | | 15,388 | (34,934) |
| Other current liabilities | | (108,809) | 31,178 |
| Other non-current liabilities | | (105,252) | (50,020) |
| Cash inflow generated from operations | | 6,591,838 | 4,862,742 |
| Interest received | 6(24) | 316,546 | 219,986 |
| Dividend received from investments accounted for under equity method | | 144,756 | 443,772 |
| Interest paid | 6(26) | (172,139) | (222,540) |
| Income tax paid | 6(28) | (952,459) | (975,268) |
| Net cash flows from operating activities | | 5,928,542 | 4,328,692 |

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

| | Notes | 2019 | 2018 |
|---|------------|----------------|----------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Increase in current financial assets at fair value through other comprehensive income | | (\$ 183,766) | (\$ 424,082) |
| Decrease in bond investments without active market | | - | 3,794,570 |
| Increase in pledged demand and fixed deposits | 6(1) and 8 | (30,117) | (201,823) |
| Increase in non-current financial assets at fair value through profit or loss | | 65,845 | - |
| Increase in non-current financial assets at fair value through other comprehensive income | | (63,852) | (76,384) |
| Proceeds from disposal of non-current financial assets at fair value through other comprehensive income | | 451,556 | 184,067 |
| Increase in non-current financial assets at amortised cost | 6(4) | (194,531) | (182,725) |
| Increase in investments accounted for under the equity method | | (35,054) | (149,083) |
| Proceeds from disposal of investments accounted for under the equity method | | 93,349 | - |
| Acquisition of property, plant and equipment | 6(8)(30) | (1,032,766) | (1,190,647) |
| Proceeds from disposal of property, plant and equipment | | 72,550 | 90,173 |
| Acquisition of intangible assets | | (70,840) | (242,354) |
| Increase in other non-current assets | | (88,908) | (450,185) |
| Net cash inflow (outflow) on acquisitions of subsidiaries | 6(30) | 9,940 | (434,442) |
| Dividends received | | 616,897 | 287,870 |
| Net cash flows (used in) from investing activities | | (389,697) | 1,004,955 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Decrease in short-term loans | 6(31) | (136,723) | (121,466) |
| (Decrease) increase in long-term loans | 6(31) | (566,094) | 311,897 |
| Lease liabilities paid | 6(9)(31) | (553,993) | - |
| Treasury shares purchased | 6(19) | (675,840) | - |
| Cash dividends paid | 6(21) | (1,770,924) | (1,722,316) |
| Cash dividends paid to non-controlling interest | | (155,871) | (156,477) |
| Proceeds from capital increase of non-controlling interests | 6(32) | 226,786 | - |
| Net cash flows used in financing activities | | (3,632,659) | (1,688,362) |
| Exchange rate effect | | (330,381) | (239,049) |
| Net increase in cash and cash equivalents | | 1,575,805 | 3,406,236 |
| Cash and cash equivalents at beginning of year | | 17,535,566 | 14,129,330 |
| Cash and cash equivalents at end of year | | \$ 19,111,371 | \$ 17,535,566 |

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

1. History and Organization

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 17, 2020.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|--|--|
| Amendments to IFRS 9, ‘Prepayment features with negative compensation’ | January 1, 2019 |
| IFRS 16, ‘Leases’ | January 1, 2019 |
| Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’ | January 1, 2019 |
| Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’ | January 1, 2019 |
| IFRIC 23, ‘Uncertainty over income tax treatments’ | January 1, 2019 |
| Annual improvements to IFRSs 2015-2017 cycle | January 1, 2019 |

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

IFRS 16, ‘Leases’

A. IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognize a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’, ‘lease liability’ and ‘deferred tax asset’ by \$7,435,645, \$5,367,109 and \$104,637 and decreased long-term prepaid rents, intangible assets, non-controlling interests and retained earnings by \$2,532,370, \$118,452, \$208,421 and \$269,228, respectively, with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of

initial application of IFRS 16:

- (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$81,523 was recognised for the year ended December 31, 2019.
 - (d) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
 - (e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using weighted average incremental borrowing interest rate ranging from 1% to 10%.
- E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

| | | |
|---|----|------------------|
| Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018 | \$ | 8,059,483 |
| Less: Short-term leases | (| 206,559) |
| Less: Low-value assets | (| 3,187) |
| Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019 | | 7,849,737 |
| Incremental borrowing interest rate at the date of initial application | | 1%~10% |
| Lease liabilities recognised as at January 1, 2019 by applying IFRS 16 | \$ | <u>5,367,109</u> |

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

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

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|--|--|
| Amendments to IAS 1 and IAS 8, 'Disclosure Initiative- Definition of Material' | January 1, 2020 |
| Amendments to IFRS 3, 'Definition of a business' | January 1, 2020 |
| Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform' | January 1, 2020 |

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

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

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

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|--|
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by International Accounting Standards Board |
| IFRS 17, 'Insurance contracts' | January 1, 2021 |
| Amendments to IAS 1, 'Classification of liabilities as current or noncurrent' | January 1, 2022 |

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|-------------------------------------|---|--|-------------------|-------------------|-------------|
| | | | December 31, 2019 | December 31, 2018 | |
| Teco Electric & Machinery Co., Ltd. | Teco Holding USA Inc. | Holding company | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | United View Global Investment Co., Ltd. | Holding company | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Temico International Pte.Ltd. | Holding company | 60 | 60 | |
| Teco Electric & Machinery Co., Ltd. | Tesen Electric & Machinery Co., Ltd. | Manufacturing and sales of home appliances | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Tong-An Assets Management & Development Co., Ltd. | Real estate business | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Teco Electric Europe Limited | Distribution of motors | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Teco Electric & Machinery (Pte) Ltd. | Distribution of motors | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Tong Dai Co., Ltd. | Distribution of motors | 83.53 | 92.63 | Note 1 |
| Teco Electric & Machinery Co., Ltd. | Tong Tai Jung Co., Ltd. | Expanding the distribution of motors | - | 60 | Note 1 |
| Teco Electric & Machinery Co., Ltd. | Teco Electro Devices Co., Ltd. | Manufacturing and sales of step-servo motor | 64.08 | 64.08 | |
| Teco Electric & Machinery Co., Ltd. | Yatec Engineering Corporation | Development and maintenance of various electric appliances | 64.95 | 64.95 | |
| Yatec Engineering Corporation | Yatec Engineering (VN) Company Limited | Development of various electric appliances | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Taian (Subic) Electric Co., Inc. | Manufacturing and sales of switches | 76.7 | 76.7 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|-------------------------------------|---|---|-------------------|-------------------|-------------|
| | | | December 31, 2019 | December 31, 2018 | |
| Teco Electric & Machinery Co., Ltd. | Taian-Etacom Technology Co., Ltd. | Manufacturing of busway and related components | 84.73 | 84.73 | |
| Teco Electric & Machinery Co., Ltd. | Taian (Malaysia) Electric Sdn. Bhd. | Manufacturing of switches | 66.85 | 66.85 | |
| Teco Electric & Machinery Co., Ltd. | Micropac Worldwide (BVI) | International trading | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | E-Joy International Co., Ltd. | Wholesale and retail of electric appliances | 98.5 | 98.5 | |
| Teco Electric & Machinery Co., Ltd. | A-Ok Technical Co., Ltd. | Repair of electric appliances | 86.67 | 86.67 | |
| Teco Electric & Machinery Co., Ltd. | Tecom Co., Ltd. | Manufacturing and sales of touch-tone phone system and billing box | 63.52 | 63.52 | |
| Teco Electric & Machinery Co., Ltd. | Information Technology Total Services Co., Ltd. | Import sales, leases of franking machines and mail processing and delivery | 49.01 | 67.11 | Note 5 |
| Teco Electric & Machinery Co., Ltd. | Teco Smart Technologies Co., Ltd. | Commissioned sales of phone cards and IC cards, and production of data storage and processing equipment | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Teco International Investment Co., Ltd. | Various productions, investments in securities and construction of commercial buildings | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Tong-An Investment Co., Ltd. | Various investments | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Tecnos International Consultant Co., Ltd. | Business management consulting | 73.54 | 73.54 | |
| Teco Electric & Machinery Co., Ltd. | An-Tai International Investment Co., Ltd. | Various investments | 100 | 100 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|-------------------------------------|---|--|-------------------|-------------------|-------------|
| | | | December 31, 2019 | December 31, 2018 | |
| Teco Electric & Machinery Co., Ltd. | Taiwan Pelican Express Co., Ltd. | Delivery and logistics services | 32.15 | 32.15 | Note 2 |
| Teco Electric & Machinery Co., Ltd. | Teco Technology (Vietnam) Co., Ltd. | Manufacturing and sales of motors | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Teco Nanotech Co., Ltd. | Manufacturing and sales of nanotech material products | - | 86.83 | Note 3 |
| Teco Electric & Machinery Co., Ltd. | Kuen Ling Machinery Refrigerating Co., Ltd. | Manufacturing, installation, repair, domestic and export sales and leasing of condenser, water cooling, water-cooled chiller and freezer | - | - | Note 10 |
| Teco Electric & Machinery Co., Ltd. | Yaskawa Teco Motor Engineering Co. | Manufacturing and sales of motors | - | - | Note 8 |
| Teco Electric & Machinery Co., Ltd. | Eagle Holding Co. | Holding company | 100 | 100 | |
| Teco Electric & Machinery Co., Ltd. | Century Development Corporation | Real estate and industrial park management and development | 52.75 | 52.75 | |
| Teco Electric & Machinery Co., Ltd. | Teco.Sun Energy Co., Ltd. | Energy technical services | 60 | 60 | |
| Century Development Corporation | Century Tech. C&M Corp. | Construction industry as well as trades and related operation and investment of materials and sandstone used in construction and machinery | 100 | 100 | |
| Century Development Corporation | United Development Corporation | Investment consultancy service for domestic and foreign industrial parks and land | 100 | 100 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|--|---|---|-------------------|-------------------|-------------|
| | | | December 31, 2019 | December 31, 2018 | |
| Century Development Corporation | Century Biotech Development Corp. | Investment consultancy service for domestic industrial parks and land | 100 | 100 | |
| Century Development Corporation | Century Real Estate (International) Pet. Ltd. | Investments in other areas | 100 | 100 | |
| Century Real Estate (International) Pte Ltd. | CDC Development India Private Limited | Investment consultancy service for domestic and foreign industrial parks and land | 100 | 100 | |
| Eagle Holding Co. | TECO MOTOR B.V. | Holding company | 100 | 100 | |
| TECO MOTOR B.V. | Motovario S.p.A. | Sales of motors and reducers | 100 | 100 | |
| Motovario S.p.A. | Motovario S.A (Spain) | Sales of motors and reducers | 100 | 100 | |
| Motovario S.p.A. | Motovario Ltd. | Sales of motors and reducers | 100 | 100 | |
| Motovario S.p.A. | Motovario GMBH | Sales of motors and reducers | 100 | 100 | |
| Motovario S.p.A. | Motovario Corp. | Sales of motors and reducers | 75 | 75 | |
| Motovario S.p.A. | Motovario S.A (France) | Sales of motors and reducers | 100 | 100 | |
| Motovario S.p.A. | Motovario Int. Trading Co. Ltd. | Sales of motors and reducers | 100 | 100 | |
| Motovario S.p.A. | Motovario Power Transmission Co. Ltd. | Sales of motors and reducers | 100 | 100 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---|---|---|-------------------|-------------------|-------------|
| | | | December 31, 2019 | December 31, 2018 | |
| Motovario S.p.A. | Motovario Gear Solution Private Ltd. | Sales of motors and reducers | 100 | 100 | |
| Teco Holding USA Inc. | Teco Westinghouse Motor Company Company | Manufacturing and sales of motors and generators | 100 | 100 | |
| Teco Holding USA Inc. | Teco Westinghouse Motor Industrial Canada Industrial Canada | Manufacturing and sales of motors and generators | 100 | 100 | |
| United View Global Investment Co., Ltd. | Great Teco Motor (Pte) Ltd. | Holding company | 100 | 100 | |
| United View Global Investment Co., Ltd. | Asia Air Tech Industrial (Pte) Ltd. | Holding company | 100 | 100 | |
| United View Global Investment Co., Ltd. | Teco Australia Pty. Ltd. | Manufacturing and sales of motors and home appliances | 99.99 | 99.99 | |
| United View Global Investment Co., Ltd. | P.T Teco Elektro Indonesia | Manufacturing and sales of motors and home appliances | 100 | 100 | |
| United View Global Investment Co., Ltd. | Teco Industrial (Malaysia) Sdn. Bhd. | Manufacturing and sales of motors | 100 | 100 | |
| United View Global Investment Co., Ltd. | Tecoston Industrial Development (Pte) Ltd. | Investment in Southeast Asia and Hong Kong | - | 100 | Note 4 |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---|--|--|-------------------|-------------------|-------------|
| | | | December 31, 2019 | December 31, 2018 | |
| United View Global Investment Co., Ltd. | Asia Electric & Machinery (Pte) Ltd. | Holding company | 100 | 100 | |
| United View Global Investment Co., Ltd. | Great Teco, S.L. | Sales of motors | 100 | 100 | |
| United View Global Investment Co., Ltd. | Teco Electric & Machinery B.V. | Sales of motors, green power and electric control products | 100 | 100 | |
| United View Global Investment Co., Ltd. | Teco Elektrik Turkey A. S. | Sales of motors and home appliances | 100 | 100 | |
| Teco Industrial (Malaysia) Sdn. Bhd. | Teco (Vietnam) Electric & Machinery Company Ltd. | Manufacturing of motors | 60 | 60 | |
| Teco Electric & Machinery (Pte) Ltd. | P.T Teco Multiguna Electro | Sales of motors in Singapore and neighbouring countries | 87.5 | 87.5 | |
| Teco Electric & Machinery (Pte) Ltd. | Teco (Thai) Co. | Sales of motors in Singapore and neighbouring countries | 55 | 55 | |
| Teco Electric & Machinery (Pte) Ltd. | Teco Electric & Machinery Sdn. Bhd. | Sales of motors in Singapore and neighbouring countries | 100 | 100 | |
| Teco Electric & Machinery (Pte.) Ltd. | Teco Industrial System Private Limited | Sales of motors in India and neighbouring countries | 100 | 100 | |
| Teco Electric & Machinery (Pte.) Ltd. | Teco Electrical Industries Private Limited | Manufacturing of motors | 100 | 100 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---|---|--|-------------------|-------------------|-------------|
| | | | December 31, 2019 | December 31, 2018 | |
| Teco Electric & Machinery (Pte) Ltd. | TYM Electric and Machinery Sdn. Bhd. | Distribution of motors | 100 | 100 | |
| Tong Dai Co., Ltd. | Top-Tower Enterprises Co., Ltd. | Sales of motors | 40 | 40 | Note 5 |
| Tong Dai Co., Ltd. | AM SMART Technology CO.,LTD. | Sales of motors | 80 | 80 | |
| Teco Electro Devices Co., Ltd. | Teco Electro Devices Co., Ltd. | Trading and various investments | 100 | 100 | |
| Micropac Worldwide (BVI) | An-Tai International Investment (Singapore) Co., Ltd. | Investment holdings | 100 | 100 | |
| Teco International Investment Co., Ltd. | Tasia (Pte) Ltd. | Various investments | 100 | 100 | |
| Tong-An Investment Co., Ltd. | Jie-Zheng Property Service & Management Co., Ltd. | Building management servicing | 100 | 100 | |
| Tong-An Investment Co., Ltd. | Tecocapital Investment (Samoa) Co., Ltd. | Holding company | 100 | 100 | |
| Tong-An Investment Co., Ltd. | Tecocapital Investment Co., Ltd. | Holding company | 100 | 100 | |
| Taiwan Pelican Express Co., Ltd. | Pelecanus Express Pte. Ltd. | Holding company of overseas companies | 100 | 100 | |
| Teco Westinghouse Motor Company | Teco Westinghouse Motor Company S. A. de C.V. | Manufacturing and sales of motors and generators | 100 | 100 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---|---|--|-------------------|-------------------|-------------|
| | | | December 31, 2019 | December 31, 2018 | |
| Tecom Co., Ltd. | Tecom International Investment Co., Ltd. | Investments in various undertakings | 100 | 100 | |
| Tecom Co., Ltd. | Baycom Opto-Electronics Technology Co., Ltd. | Manufacture of fiber optic communications products, providing a full range of fiber optical cables, interconnect, Transceiver/Media converter, patch cord, LC connectors & adapter | 51.19 | 51.19 | Note 11 |
| Tecom Co., Ltd. | Tecom Global Tech Investment (B.V.I.) Limited | Investments in various undertakings | 100 | 100 | |
| Tecom Co., Ltd. | Tecom Global Tech Investment Pte Limited | Investments in various undertakings | 100 | 100 | |
| Tecom Co., Ltd. | Tecom Tech Investment (B.V.I.) Limited | Investments in various undertakings | 100 | 100 | |
| Kuen Ling Machinery Refrigerating Co., Ltd. | Ching Chi International Limited | Investments in other areas | - | - | Note 6 |
| Kuen Ling Machinery Refrigerating Co., Ltd. | K.A. Corp. | Commodity sales and trading business | - | - | Note 6 |
| Kuen Ling Machinery Refrigerating Co., Ltd. | I Chi Industrial Co., Ltd. | General manufacturing | - | - | Note 6 |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---|--|--|-------------------|-------------------|-------------|
| | | | December 31, 2019 | December 31, 2018 | |
| Kuen Ling Machinery Refrigerating Co., Ltd. | Cozy Air-Conditioning Co., Ltd. | General manufacturing | - | - | Note 6 |
| Great Teco Motor (Pte) Ltd. | Wuxi Teco Electric & Machinery Co., Ltd. | Manufacturing and sales of motors and generators | 82.35 | 82.35 | |
| Great Teco Motor (Pte) Ltd. | Jiangxi Teco Electric & Machinery Co., Ltd. | Coil-wound motors and hydroelectric power | 98.07 | 98.07 | |
| Great Teco Motor (Pte) Ltd. | Qingdao Teco Precision Mechatronics Co., Ltd. | Manufacturing and sales of motors | 87.60 | 87.60 | |
| Great Teco Motor (Pte) Ltd. | Fujian Teco Precision Co., Ltd. | Manufacturing and sales of electric components | 100 | 100 | |
| Great Teco Motor (Pte) Ltd. | Shanghai Teco Electric & Machinery Co., Ltd. | Agents and sales of motors and electrical appliances | 100 | 100 | |
| Great Teco Motor (Pte) Ltd. | Wuxi Teco Precision Machinery Co., Ltd. | Manufacturing and sales of motors and components | 100 | 100 | |
| Asia Air Tech Industrial (Pte) Ltd. | Teco (Dong Guang) Air Conditioning Equipment Co., Ltd. | Manufacturing and sales of air-conditioning mechanical equipment | 100 | 100 | |
| Teco Australia Pty. Ltd. | Teco (New Zealand) Limited | Manufacturing and sales of motors and home appliances | 100 | 100 | |
| Teco Australia Pty. Ltd. | Ejoy Australia Holdings Pty. Ltd. | Various investments | 100 | 100 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---|---|---|-------------------|-------------------|-------------|
| | | | December 31, 2019 | December 31, 2018 | |
| Ejoy Australia Holdings Pty. Ltd. | Ejoy Australia Pty. Ltd. | Sales of home appliances | 60 | 60 | |
| Teco Australia Pty. Ltd. | Motovario Australia Pty. Ltd. | Various investments | 100 | 100 | |
| Teco Australia Pty. Ltd. | Teco Electric Motors Africa Pty. Ltd. | Agents and sales of motors and electrical appliances | 100 | 100 | |
| Tecoson Industrial Development (Pte) Ltd. | Tecoson HK Co., Ltd. | Various investments | - | 100 | Note 7 |
| Tecoson HK Co., Ltd. | Dongguan Tecoson Electric Co., Ltd. | Distribution of home appliances | - | - | Note 8 |
| Asia Electric & Machinery (Pte) Ltd. | Nanchang Teco Electric & Machinery Co., Ltd. | Manufacturing and sales of air-conditioning equipment | 100 | 100 | |
| Asia Electric & Machinery (Pte) Ltd. | Xiamen Teco Technology Co., Ltd. | Distribution and research of motors and home appliances | - | 100 | Note 3 |
| Asia Electric & Machinery (Pte) Ltd. | Asia Innovative Technology Co., Ltd. | Research, development, manufacturing and sales of home appliances | 100 | 100 | |
| Asia Electric & Machinery (Pte) Ltd. | Tianjin Teco Technology Co., Ltd. | Operations center in Central China | - | 100 | Note 3 |
| Asia Electric & Machinery (Pte) Ltd. | Jiangxi TECO Air Conditioning Equipment Co., Ltd. | Manufacturing and sales of various air-conditioning units | 100 | 100 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---|--|---|-------------------|-------------------|-------------|
| | | | December 31, 2019 | December 31, 2018 | |
| Teco Electric & Machinery B.V. | Teco Electric & Machinery GmbH. | Manufacturing and sales of motors | 100 | 100 | |
| Teco Electro Devices Co., Ltd. | Wuxi TECO Precision Industry Co., Ltd. | Manufacturing and sales of motors | 100 | 100 | |
| Teco Westinghouse Motor Company | Jiangxi TECO Westinghouse Motor Coil Co., Ltd. | Manufacturing and sales of motors, winding and related parts | 100 | 100 | |
| An-Tai International Investment (Singapore) Co., Ltd. | Tai-An Technology (Wuxi) Co., Ltd. | Manufacturing and sales of fiber electric equipment | 100 | 100 | |
| An-Tai International Investment (Singapore) Co., Ltd. | Hunan TECO Wind Energy Limited | Manufacturing, sales and technical services of 2.0 megawatt and above aerogenerator, wheel bay and other components | 100 | 100 | Note 9 |
| Tecom International Investment Co., Ltd. | WondaLink Inc. | Wired communication equipment and apparatus, manufacturing of telecommunication equipment and apparatus, manufacturing of electronic parts and design of products | - | 68.08 | Note 12 |
| Tecom International Investment Co., Ltd. | MOCET Networks Inc. | Sale of phones and peripherals | - | - | Note 8 |
| Tecom Global Tech Investment (B.V.I.) Limited | Wuhan Tecom Co., Ltd. | Communication network information technology development, sales and technology services business | 100 | 100 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|--|---|--|-------------------|-------------------|-------------|
| | | | December 31, 2019 | December 31, 2018 | |
| Tecom Global Tech Investment Pte Limited | Tecom Tech (Wuxi) Co., Ltd. | R & D, manufacture of broadband access network communication system equipment, asynchronous transfer mode, IP data communication systems, mobile communication handsets, base stations, switching equipment and digital trunking system equipment, high-end routers, Gigabit switch than the above network, program-controlled switchboards; sale of products to provide technology services | 100 | 100 | |
| Tecom Investment (B.V.I.) Limited | Beijing Tecom Innovation Technology Co., Ltd. | Wireless network communication system hardware and software, provide technical advice, technical training and technical services | - | 100 | Note 3 |
| Tasia (Pte) Ltd. | Sankyo Co., Ltd. | Sales of home appliances | 100 | 100 | |
| Tecocapital Investment (Samoa) Co., Ltd. | Qingdao TECO Innovation Co., Ltd. | Science Park development and business operations consulting services | 100 | 100 | |
| Tecocapital Investment Co., Ltd. | Technical Information International Co., Ltd. | Development and sales of software | 70 | 70 | |
| Pelecanus Express Pte. Ltd. | Beijing Pelican Express Co., Ltd. | Storage services | 100 | 100 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---|--|--|-------------------|-------------------|-------------|
| | | | December 31, 2019 | December 31, 2018 | |
| Ching Chi International Limited | Kuen Ling Machinery Refrigerating (Shanghai) Co., Ltd. | Manufacturing and sales of water-cooled chiller, etc. | - | - | Note 6 |
| Ching Chi International Limited | Suzhou Kuen Yuan Refrigerating Equipment Co., Ltd. | General manufacturing | - | - | Note 6 |
| K.A. Corp. | Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd. | General manufacturing | - | - | Note 6 |
| K.A. Corp. | Kuen Ling Machinery Refrigerating (Indonesia) Co., | Manufacturing and sales of motors and generators | - | - | Note 6 |
| Teco Westinghouse Motor Company S.A. de C.V. | Teco Westinghouse Colombia S.A.S. | Manufacturing and sales of motors and generators | 100 | 100 | |
| Tai-An Technology (Wuxi) Co., Ltd. | Teco Sichuan Trading Co., Ltd. | Distribution of motors and home appliances | - | 100 | Note 3 |
| Information Technology Total Services Co., Ltd. | Information Technology Total Service (BVI) Co., Ltd. | Holding company | 100 | 100 | |
| Information Technology Total Services Co., Ltd. | Universal Mail Service Ltd. | Engaged in various business documents management, printing and other mail services | 100 | 100 | |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|--|--|--|-------------------|-------------------|-------------|
| | | | December 31, 2019 | December 31, 2018 | |
| Information Technology Total Services Co., Ltd. | Unison Service Corporation | Engaged in services related to information software, data processing and electronic information supply | 100 | 100 | |
| Information Technology Total Service (BVI) Co., Ltd. | Information Technology Total Service (Hang Zhou) Co., Ltd. | Engaged in services related to information software, data processing and electronic information supply | - | 100 | Note 3 |
| Information Technology Total Service (BVI) Co., Ltd. | Information Technology (Wuxi) Co., Ltd. | Engaged in services related to information software, data processing and electronic information supply | 100 | 100 | |
| Information Technology (Wuxi) Co., Ltd. | Information Technology Total Service (Xiamen) Co, Ltd. | Engaged in services related to information software, data processing and electronic information supply | 100 | 100 | |

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

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

Note 3: This company was liquidated in 2019.

Note 4: The Group sold 100% of share in this company on July 25, 2019. Therefore, the company is no longer included in the Group's consolidated financial statements.

Note 5: The Company has control over the Board of Directors of the subsidiary, and has

absolute control over the subsidiary. Thus, the subsidiary was included in the consolidated financial statements.

Note 6: The Group has lost control over the parent company since May 23, 2018, and the Group lost control over the company at the same time.

Note 7: The Group sold 100% of shares in the parent company on July 25, 2019, and the Group lost control over the company at the same time.

Note 8: This company was liquidated in 2018.

Note 9: The subsidiary was in the process of dissolution for the year December 31, 2019, and it was yet to be completed as of December 31, 2019.

Note 10: The Group has lost control over the company since May 23, 2018 due to the company re-elected directors and supervisors. Therefore, the company is no longer included in the Group's consolidated financial statements.

Note 11: The non-material subsidiary - Baycom Opto-Electronics Technology Co., Ltd. ceased to be publicly traded as resolved by the shareholders on June 12, 2019, and it was approved by the Financial Supervisory Commission on June 24, 2019.

Note 12: Tecom International Investment Co., Ltd. disposed its subsidiary - WondaLink Inc. in November 2019.

We did not audit the financial statements of certain consolidated subsidiaries which statements reflect total assets of \$2,568,293 and \$2,630,617 as at December 31, 2019 and 2018, respectively, and net operating revenue of \$2,949,066 and \$2,475,154 for the years ended December 31, 2019 and 2018, respectively.

C. Subsidiaries not included in the consolidated financial statements:

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---|---|--|-------------------|-------------------|-----------------|
| | | | December 31, 2019 | December 31, 2018 | |
| Teco Electric & Machinery Co., Ltd. | Teco Appliance (HK) Co., Ltd. | Sales of home appliances | 99.99 | 99.99 | Note 1 |
| Teco Electric & Machinery Co., Ltd. | Taian Electric Co., Ltd. | Manufacturing and sales of switches | 100 | 100 | Note 1 |
| Teco Electric & Machinery Co., Ltd. | An-Sheng Travel Co., Ltd. | Travel agency services | 96 | 96 | Note 1 |
| Teco Electric & Machinery Co., Ltd. | Taian-Jaya Electric Sdn. Bhd. | Manufacturing and sales of air-conditioning equipment | 95 | 95 | Note 1 |
| Teco Electric & Machinery Co., Ltd. | Teco (Philippines) 3C & Appliances, Inc. | Sales of air conditioning and electrical appliances | 60 | 60 | Note 1 |
| Teco Electric & Machinery Co., Ltd. | Ropali-TECO Corporation | Sales of vehicles | 100 | 100 | Note 1 |
| Great Teco Motor (Pte) Ltd. | Teco Group Science-Technology (Hang Zhou) Co., Ltd. | Electrical machinery electric and automatic control technology development and consultation service | 100 | 100 | Note 1 |
| An-Tai International Investment Co., Ltd. | Hubbell-Taian Co., Ltd. | Import, export and sales of electric wiring devices, lighting, explosion proofing and other accessory products | 49.99 | 49.99 | Notes 1、2 and 3 |

| Name of Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Description |
|---|---|---|-------------------|-------------------|---------------|
| | | | December 31, 2019 | December 31, 2018 | |
| Hubbell-Taian Co., Ltd. | Hubbell-Anmex International(s) Pte. Ltd. | Distribution of electronic products | 100 | 100 | Note 1 |
| Tong-An Assets Management & Development Co., Ltd. | Grey Back International Property Inc. | Real estate management and development | 100 | 100 | Note 1 |
| Tasia (Pte) Ltd. | TECO Technology & Marketing Center Co., Ltd. | Engaged in a variety of investment businesses | 100 | 100 | Note 1 |
| Jack Property Service & Management Company | Qingdao Jie Zheng Property Service & Management Company | Property management and related services | 100 | 100 | Note 1 |
| Tong-An Investment Co., Ltd. | Eurasia Food Service Co., Ltd. | Restaurant chain | 100 | 100 | Note 1 |
| Tong-An Investment Co., Ltd. | Xianlaoman Restaurant Co., Ltd. | Restaurant chain | 48.33 | 48.33 | Notes 1 and 2 |

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

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

Note 3: The subsidiary was dissolved during the year ended December 31, 2019 as resolved by the Board of Directors.

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

E. Significant restrictions: None.

F. Details of significant non-controlling interests: Please refer to Note 6(32).

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the

exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

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

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group still retains partial interest in the former foreign associate entity after losing significant influence over the former foreign associate such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation is partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at balance sheet date.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet

date;

- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

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

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

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

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised

and derecognised using trade date accounting.

- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
 - D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.
- (10) Accounts and notes receivable
- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
 - B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- (11) Impairment of financial assets
- For financial assets at amortized cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.
- (12) Derecognition of financial assets
- The Group derecognizes a financial asset when one of the following conditions is met:
- A. The contractual rights to receive cash flows from the financial asset expire.
 - B. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
 - C. The Group neither retains nor transfers substantially all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.
- (13) Operating leases (lessor)
- Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.
- (14) Inventories
- Inventories are stated at the lower of cost and net realizable value. Cost is determined using weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.
- (15) Investments accounted for under the equity method – associates
- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss arising through subsequent assessments.
 - B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is

recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.

- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(16) Property, plant and equipment

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

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

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

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(18) Leased assets/ operating leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(19) Investment property

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

(20) Intangible assets

A. Goodwill arises in a business combination accounted for by applying the acquisition method.

B. Intangible assets except goodwill are mainly computer software, which is stated at cost and amortized on the straight-line basis over the estimated economic useful life.

(21) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets

where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

- B. The recoverable amounts of goodwill and intangible assets with an indefinite useful life are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(22) Borrowings

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

(23) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

- A. Financial liabilities are classified in this category of held for trading. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(25) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognized at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortized to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'finance costs'.

(26) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(27) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(28) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. At initial recognition, the Group measures financial guarantee contracts at fair value and subsequently at the higher of the amount of provisions determined by the expected credit losses and the cumulative gains that were previously recognized.

(29) Provisions for other liabilities

Provisions (including product warranties, etc.) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(30) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

ii. Remeasurements arising on defined benefit plans are recognized in other

comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Termination benefits

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

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

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

(31) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, and associates except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the

balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

- F. Based on the “Income Basic Tax Act”, if the regular income tax is equal or more than the basic tax, the income tax payable shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas, if the regular income tax is less than basic tax, the income tax payable shall be equal to the basic tax. The difference between the regular income tax and basic tax shall not be subject to deductions of investment tax credits granted under the provisions of other laws.

(32) Share capital

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

(33) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are resolved by the Company’s shareholders. Cash dividends are recorded as liabilities.

(34) Revenue recognition

A. Sales of goods—wholesale

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

- (c) The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.
- (d) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
- B. Installation and construction service of electrification products
 - (a) The Group provides installation and construction service of electrification products. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual cost spent relative to the total cost. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.
 - (b) Some contracts include sales and installation services of equipment. The equipment and the installation services provided by the Group are not distinct and are identified to be one performance obligation satisfied over time since the installation services involve significant customisation and modification. The Group recognises revenue on the basis of costs incurred relative to the total expected costs of that performance obligation. Conversely, the Group recognises revenue at an amount equal to the cost of a good if the good is not distinct and its cost is significant relative to the total expected costs, the customer is expected to obtain control of the good significantly before receiving services related to the good, and the Group procures the good from a third party and is not involved in designing and manufacturing the good by acting as a principal.
 - (c) The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.
- C. Incremental costs of obtaining a contract

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

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.
- (36) Business combinations
 - A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-

controlling interests in the acquire that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquirer's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

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

(37) Operating segments

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

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

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

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

None.

- (2) Critical accounting estimates and assumptions

Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgment, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units.

6. Details of Significant Accounts

- (1) Cash and cash equivalents

| | December 31, 2019 | December 31, 2018 |
|---|----------------------|----------------------|
| Cash on hand and revolving funds | \$ 19,451 | \$ 21,153 |
| Checking accounts and demand deposits | 6,694,245 | 8,155,870 |
| Time deposits and notes issued under repurchase agreement | 12,397,675 | 9,358,543 |
| | <u>\$ 19,111,371</u> | <u>\$ 17,535,566</u> |

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

- B. As of December 31, 2019 and 2018, cash and cash equivalents amounting to \$440,212 and \$470,329 as purchase loans were pledged to others as collateral (listed as '1470 Other current assets'), respectively. Please refer to Note 8.

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

| Items | December 31, 2019 | December 31, 2018 |
|--|---------------------|---------------------|
| Current items: | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Listed and OTC stocks | \$ 17,328 | \$ 110,677 |
| Emerging stocks | 22,268 | 29,319 |
| Money Market Fund | 112,769 | 79,326 |
| Derivative instruments | 236 | - |
| | 152,601 | 219,322 |
| Valuation adjustment | (25,656) | (25,367) |
| | <u>\$ 126,945</u> | <u>\$ 193,955</u> |
| Non-current items: | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Listed and OTC stocks | \$ 902,868 | \$ 910,270 |
| Non-listed and OTC stocks | 810,394 | 811,773 |
| Privately-placed funds | 269,397 | 230,260 |
| | 1,982,659 | 1,952,303 |
| Valuation adjustment | 308,558 | 187,900 |
| | <u>\$ 2,291,217</u> | <u>\$ 2,140,203</u> |

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

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|--|---|---|
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Equity instruments | <u>\$ 216,570</u> | <u>(\$ 160,975)</u> |

B. The non-hedging derivative instruments transaction and contract information are as follows:

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

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

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

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

| Items | December 31, 2019 | December 31, 2018 |
|---------------------------|----------------------|----------------------|
| Current items: | | |
| Listed and OTC stocks | \$ 1,036,488 | \$ 1,093,955 |
| Emerging stocks | 6,672 | - |
| | 1,043,160 | 1,093,955 |
| Valuation adjustment | 22,569 | (98,004) |
| | <u>\$ 1,065,729</u> | <u>\$ 995,951</u> |
| Non-current items: | | |
| Listed and OTC stocks | \$ 7,975,067 | \$ 7,993,650 |
| Non-listed and OTC stocks | 341,739 | 494,449 |
| | 8,316,806 | 8,488,099 |
| Valuation adjustment | 6,156,211 | 2,866,426 |
| | <u>\$ 14,473,017</u> | <u>\$ 11,354,525</u> |

- A. The Group has elected to classify Taiwan High Speed Rail's stocks that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$15,538,746 and \$12,350,476 as at December 31, 2019 and 2018, respectively.
- B. For the years ended December 31, 2019 and 2018, the Group sold stocks with fair value of \$451,556 and \$338,594, respectively, to raise the capital for operations; the cumulative gains (losses) on disposal are \$65,818 and \$572,647, respectively, and the realized profits were reclassified from other equity to retained earnings.
- C. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|--|---|---|
| <u>Equity instruments at fair value through other comprehensive income</u> | | |
| Fair value change recognised in other comprehensive income | \$ 3,371,209 | \$ 615,645 |
| Cumulative gains (losses) reclassified to retained earnings due to derecognition | \$ 65,818 | (\$ 572,647) |
| Dividend income recognised in profit or loss held at end of year | \$ 507,173 | \$ 413,891 |
| Derecognised during the year | 3,298 | 483 |
| | <u>\$ 510,471</u> | <u>\$ 414,374</u> |

- D. Details of the Group's financial assets at fair value through other comprehensive income pledged to others as collateral are provided in Note 8.
- E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Financial assets at amortised cost

| Items | December 31, 2019 | December 31, 2018 |
|--------------------|-------------------|-------------------|
| Non-current items: | | |
| Time deposits | \$ 377,256 | \$ 182,725 |

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

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|-----------------|---|---|
| Interest income | \$ 6,174 | \$ 1,766 |

B. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$377,256 and \$182,725, respectively.

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

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

(5) Notes and accounts receivable

| | December 31, 2019 | December 31, 2018 |
|-------------------------------|---------------------|---------------------|
| Notes receivable | \$ 1,120,799 | \$ 1,066,484 |
| Less: Allowance for bad debts | (2,068) | (2,493) |
| | <u>\$ 1,118,731</u> | <u>\$ 1,063,991</u> |
| Accounts receivable | \$ 8,944,405 | \$ 9,283,282 |
| Less: Allowance for bad debts | (164,358) | (180,854) |
| | <u>\$ 8,780,047</u> | <u>\$ 9,102,428</u> |

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

| | December 31, 2019 | December 31, 2018 |
|----------------|---------------------|----------------------|
| Not past due | \$ 7,562,797 | \$ 7,098,505 |
| Up to 30 days | 1,097,040 | 1,476,443 |
| 31 to 90 days | 658,164 | 952,553 |
| 91 to 180 days | 143,162 | 267,598 |
| Over 180 days | 437,615 | 371,320 |
| | <u>\$ 9,898,778</u> | <u>\$ 10,166,419</u> |

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, the balances of receivables (including notes receivable) from contracts with customers amounted to \$9,879,488 and \$10,166,224, respectively.

C. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$1,118,731 and \$1,063,991 and accounts receivable was \$8,780,047 and \$9,102,428, respectively.

D. Details of the Group's notes receivable pledged to others are provided in Note 8.

E. Information relating to credit risk of accounts receivable and notes receivable is provided

in Note 12(2).

(6) Inventories

| December 31, 2019 | | | |
|-------------------------|----------------------|---------------------------------|----------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 2,703,745 | (\$ 184,324) | \$ 2,519,421 |
| Work in progress | 1,004,142 | (13,430) | 990,712 |
| Finished goods | 5,476,656 | (460,089) | 5,016,567 |
| Inventory in transit | 417,960 | - | 417,960 |
| Merchandise inventories | 920,284 | (11,359) | 908,925 |
| | <u>\$ 10,522,787</u> | <u>(\$ 669,202)</u> | <u>\$ 9,853,585</u> |
| December 31, 2018 | | | |
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 2,553,819 | (\$ 193,552) | \$ 2,360,267 |
| Work in progress | 1,385,554 | (48,969) | 1,336,585 |
| Finished goods | 6,415,087 | (526,363) | 5,888,724 |
| Inventory in transit | 548,312 | - | 548,312 |
| Merchandise inventories | 1,304,962 | (9,165) | 1,295,797 |
| | <u>\$ 12,207,734</u> | <u>(\$ 778,049)</u> | <u>\$ 11,429,685</u> |

A. The cost of inventories recognized as expense for the years ended December 31, 2019 and 2018 was \$26,655,755 and \$28,198,312, respectively, including \$105,770 and \$88,300 that the Group wrote down from cost to the net realizable value accounted for as cost of goods sold for the years ended December 31, 2019 and 2018, respectively.

B. The Group has no inventory pledged to others.

(7) Investments accounted for under the equity method

| | December 31, 2019 | December 31, 2018 |
|--|---------------------|---------------------|
| Associates: | | |
| 1. Tung Pei Industrial Co., Ltd. | \$ 2,086,821 | \$ 2,087,582 |
| 2. Creative Sensor Inc. | 398,472 | 391,646 |
| 3. Lien Chang Electronic Enterprise Co., Ltd. | 445,494 | 440,000 |
| 4. Kuen Ling Machinery Refrigerating Co., Ltd. | 286,363 | 347,255 |
| 5. Others | 680,166 | 940,877 |
| | <u>3,897,316</u> | <u>4,207,360</u> |
| Less: Credit balance of investments accounted for under the equity method such as Teco Middle East Electrical & Machinery Co., Ltd. and Le-Li Co., Ltd. (shown as deductions on notes receivable-related parties, accounts receivable-related parties as well as other receivables-related parties, and other non-current liabilities) | (110,326) | (86,926) |
| | <u>\$ 3,786,990</u> | <u>\$ 4,120,434</u> |

The share of profit/loss of associates and joint ventures accounted for under equity method for the years ended December 31, 2019 and 2018 are as follows:

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|--|---|---|
| Associates: | | |
| 1. Tung Pei Industrial Co., Ltd. | \$ 90,544 | \$ 174,843 |
| 2. Creative Sensor Inc. | 21,093 | 23,640 |
| 3. Lien Chang Electronic Enterprise Co., Ltd. | 3,003 | (64,244) |
| 4. Kuen Ling Machinery Refrigerating Co., Ltd. | 24,077 | 27,931 |
| 5. Others | (108,307) | (48,027) |
| | <u>\$ 30,410</u> | <u>\$ 114,143</u> |

A. Associates

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

| Company name | Principal place of business | Shareholding ratio | | Nature of relationship | Method of measurement |
|---|-----------------------------|--------------------|-------------------|------------------------|-----------------------|
| | | December 31, 2019 | December 31, 2018 | | |
| Tung Pei Industrial Co., Ltd. | R.O.C | 31.14% | 31.14% | Financial investment | Equity method |
| Creative Sensor Inc. | R.O.C | 11.50% | 11.50% | " | Equity method |
| Lien Chang Electronic Enterprise Co., Ltd. | R.O.C | 33.84% | 33.84% | " | Equity method |
| Kuen Ling Machinery Refrigerating Co., Ltd. | R.O.C | 14.62% | 17.61% | " | Equity method |

(Note)
Note: The company is no longer included in the Group's consolidated entities as the Group lost control over it in the second quarter of 2018. However, the Group still has significant influence over the company, therefore, remaining shares will be accounted for using equity method.

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

Balance sheet

| | Tung Pei Industrial Co., Ltd. | |
|----------------------------------|-------------------------------|-------------------|
| | December 31, 2019 | December 31, 2018 |
| Current assets | \$ 4,672,289 | \$ 5,460,372 |
| Non-current assets | 7,805,002 | 7,845,439 |
| Current liabilities | (3,128,742) | (3,716,167) |
| Non-current liabilities | (1,927,696) | (2,144,772) |
| Total assets | \$ 7,420,853 | \$ 7,444,872 |
| Share in associate's net assets | \$ 2,086,821 | \$ 2,087,582 |
| Goodwill | - | - |
| Carrying amount of the associate | \$ 2,086,821 | \$ 2,087,582 |

| | Creative Sensor Inc. | |
|----------------------------------|---|---------------------|
| | December 31, 2019 | December 31, 2018 |
| Current assets | \$ 3,220,429 | \$ 3,466,786 |
| Non-current assets | 1,152,753 | 1,167,518 |
| Current liabilities | (920,458) | (1,284,592) |
| Non-current liabilities | (155,141) | (111,553) |
| Total net assets | <u>\$ 3,297,583</u> | <u>\$ 3,238,159</u> |
| Share in associate's net assets | \$ 398,472 | \$ 391,646 |
| Goodwill | - | - |
| Carrying amount of the associate | <u>\$ 398,472</u> | <u>\$ 391,646</u> |
| | Lien Chang Electronic Enterprise Co., Ltd. | |
| | December 31, 2019 | December 31, 2018 |
| Current assets | \$ 1,583,967 | \$ 1,684,611 |
| Non-current assets | 625,742 | 603,290 |
| Current liabilities | (841,291) | (948,730) |
| Non-current liabilities | (52,103) | (39,089) |
| Total net assets | <u>\$ 1,316,315</u> | <u>\$ 1,300,082</u> |
| Share in associate's net assets | \$ 445,494 | \$ 440,000 |
| Goodwill | - | - |
| Carrying amount of the associate | <u>\$ 445,494</u> | <u>\$ 440,000</u> |
| | Kuen Ling Machinery Refrigerating Co., Ltd. | |
| | December 31, 2019 | December 31, 2018 |
| Current assets | \$ 1,892,416 | \$ 1,972,061 |
| Non-current assets | 711,800 | 617,860 |
| Current liabilities | (862,521) | (955,868) |
| Non-current liabilities | (290,893) | (163,951) |
| Total net assets | <u>\$ 1,450,802</u> | <u>\$ 1,470,102</u> |
| Share in associate's net assets | \$ 198,294 | \$ 241,171 |
| Goodwill | 88,069 | 106,084 |
| Carrying amount of the associate | <u>\$ 286,363</u> | <u>\$ 347,255</u> |

Statement of comprehensive income

| Tung Pei Industrial Co., Ltd. | | |
|--|---|---|
| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
| Revenue | \$ 7,169,410 | \$ 7,913,408 |
| Profit for the year from continuing operations | \$ 283,834 | \$ 564,485 |
| Other comprehensive loss, net of tax | (57,206) | (74,911) |
| Total comprehensive income | \$ 226,628 | \$ 489,574 |
| Dividends received from associates | \$ 78,290 | \$ 117,435 |
| Creative Sensor Inc. | | |
| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
| Revenue | \$ 4,169,494 | \$ 4,576,761 |
| Profit for the year from continuing operations | \$ 183,626 | \$ 205,800 |
| Other comprehensive income (loss), net of tax | 40,969 | (168,712) |
| Total comprehensive income | \$ 224,595 | \$ 37,088 |
| Dividends received from associates | \$ 18,973 | \$ 23,352 |
| Lien Chang Electronic Enterprise Co., Ltd. | | |
| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
| Revenue | \$ 2,967,216 | \$ 2,428,431 |
| Profit (loss) for the year from continuing operations | \$ 8,872 | (\$ 189,823) |
| Other comprehensive income (loss), net of tax | 7,361 | (67,165) |
| Total comprehensive income (loss) | \$ 16,233 | (\$ 256,988) |
| Dividends received from associates | \$ - | \$ - |
| Kuen Ling Machinery Refrigerating Co., Ltd. | | |
| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
| Revenue | \$ 2,677,510 | \$ 2,975,329 |
| Profit for the year from continuing operations | \$ 161,616 | \$ 214,794 |
| Other comprehensive loss, net of tax | (27,859) | (9,266) |
| Total comprehensive income | \$ 133,757 | \$ 205,528 |
| Dividends received from associates | \$ 22,263 | \$ 30,223 |

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

As of December 31, 2019 and 2018, the carrying amount of the Group's individually immaterial associates amounted to \$680,166 and \$940,877, respectively.

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|--|---|---|
| Loss for the year from continuing operations | (\$ 108,307) | (\$ 48,027) |
| Total comprehensive loss | (\$ 108,307) | (\$ 48,027) |

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

| | December 31, 2019 | December 31, 2018 |
|---|---------------------|---------------------|
| 1.Lien Chang Electronic Enterprise Co., Ltd. | \$ 427,981 | \$ 334,125 |
| 2.Creative Sensor Inc. | 343,708 | 290,437 |
| 3.Kuen Ling Machinery Refrigerating Co., Ltd. | 270,499 | 410,304 |
| | <u>\$ 1,042,188</u> | <u>\$ 1,034,866</u> |

- B. On May 23, 2018, the shareholders of Kuen Ling Machinery Refrigerating Co., Ltd. (Kuen Ling) during their meeting re-elected directors and supervisors. The Group had 2 seats, and has lost control over the Board of Directors of Kuen Ling, therefore, Kuen Ling and its subsidiaries are no longer included in the Group's consolidated financial statements. In addition, remaining shares were remeasured based on fair value, resulting to a gain on remeasurement amounting to \$46,515. Kuen Ling will be assessed by using equity method subsequently as the Group still has significant influence over it.
- C. Investments accounted for using equity method for the years ended December 31, 2019 and 2018, are based on investees' financial statements audited by independent accountants. Gains on investments accounted for using equity method and other comprehensive net income for the years ended December 31, 2019 and 2018 were \$7,927 and \$143,935, respectively. As of December 31, 2019 and 2018, the balances of investments accounted for using equity method were \$ 2,535,314 and \$ 2,630,962, respectively. The credit balances of investments accounted for using equity method were \$97,139 and \$83,459, respectively.
- D. Details of the Group's investments accounted for under the equity method pledged to others as collateral are provided in Note 8.

(8) Property, plant and equipment

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

| | Land | Buildings and structures | Leased assets - buildings and structures | Machinery and equipment | Leased assets - machinery and equipment | Transportation equipment | Leasehold improvements | Miscellaneous equipment | Total |
|---|---------------------|--------------------------|--|-------------------------|---|--------------------------|------------------------|-------------------------|----------------------|
| <u>At January 1, 2018</u> | | | | | | | | | |
| Cost | \$ 5,669,729 | \$ 8,903,839 | \$ 5,275,736 | \$ 14,015,941 | \$ 870,543 | \$ 1,080,293 | \$ 580,986 | \$ 7,978,335 | \$ 44,375,402 |
| Accumulated depreciation and impairment | (34,697) | (4,236,401) | (1,688,713) | (12,042,721) | (741,771) | (741,640) | (429,093) | (6,538,067) | (26,453,103) |
| <u>2018</u> | <u>\$ 5,635,032</u> | <u>\$ 4,667,438</u> | <u>\$ 3,587,023</u> | <u>\$ 1,973,220</u> | <u>\$ 128,772</u> | <u>\$ 338,653</u> | <u>\$ 151,893</u> | <u>\$ 1,440,268</u> | <u>\$ 17,922,299</u> |
| Opening net book amount | \$ 5,635,032 | \$ 4,667,438 | \$ 3,587,023 | \$ 1,973,220 | \$ 128,772 | \$ 338,653 | \$ 151,893 | \$ 1,440,268 | \$ 17,922,299 |
| Additions | - | 284,122 | 8,074 | 382,834 | - | 148,933 | 24,817 | 386,588 | 1,235,368 |
| Disposals | (807) | (1) | - | (60,974) | - | (2,893) | (300) | (54,284) | (119,259) |
| Effect of decrease in consolidated entities | (110,783) | (295,697) | - | (75,452) | - | (13,850) | (356) | (6,091) | (502,229) |
| Reversal of impairment loss | - | - | - | 32,335 | - | - | - | - | 32,335 |
| Reclassifications | - | 33,304 | - | 129,251 | (79,870) | (42) | (45) | 92,221 | 174,819 |
| Depreciation charge | - | (233,139) | (185,201) | (382,486) | (9,483) | (63,750) | (40,065) | (413,666) | (1,327,790) |
| Net exchange differences | (960) | (23,178) | (5) | (21,535) | - | (1,569) | 254 | (5,007) | (52,000) |
| Closing net book amount | <u>\$ 5,522,482</u> | <u>\$ 4,432,849</u> | <u>\$ 3,409,891</u> | <u>\$ 1,977,193</u> | <u>\$ 39,419</u> | <u>\$ 405,482</u> | <u>\$ 136,198</u> | <u>\$ 1,440,029</u> | <u>\$ 17,363,543</u> |
| <u>At December 31, 2018</u> | | | | | | | | | |
| Cost | \$ 5,557,179 | \$ 8,602,994 | \$ 5,283,793 | \$ 13,572,413 | \$ 656,849 | \$ 1,116,937 | \$ 578,721 | \$ 7,828,161 | \$ 43,197,047 |
| Accumulated depreciation and impairment | (34,697) | (4,170,145) | (1,873,902) | (11,595,220) | (617,430) | (711,455) | (442,523) | (6,388,132) | (25,833,504) |
| | <u>\$ 5,522,482</u> | <u>\$ 4,432,849</u> | <u>\$ 3,409,891</u> | <u>\$ 1,977,193</u> | <u>\$ 39,419</u> | <u>\$ 405,482</u> | <u>\$ 136,198</u> | <u>\$ 1,440,029</u> | <u>\$ 17,363,543</u> |

A. For the years ended December 31, 2019 and 2018, no borrowing cost was capitalized as part of property, plant and equipment.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

C. The Group was unable to transfer the title of certain farmland to the Group's name due to legal restrictions. The land title was registered under an individual's name. Accordingly, the Group entered into an agreement with the said individual to secure the title and the first mortgage right.

(9) Leasing arrangements - lessee

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

| | <u>Carrying amount</u> | <u>Depreciation charge</u> |
|---|--------------------------|---|
| | <u>December 31, 2019</u> | <u>For the year ended December 31, 2019</u> |
| Land (including royalties) | \$ 4,840,702 | \$ 98,233 |
| Buildings | 2,211,882 | 386,252 |
| Machinery and equipment | 40,476 | 14,671 |
| Transportation equipment (Business vehicles) | 26,104 | 12,057 |
| | <u>\$ 7,119,164</u> | <u>\$ 511,213</u> |

- F. Interest expenses on lease liabilities for the year ended December 31, 2019 were \$91,709 and cash paid outflow were \$553,993.
- G. Expenses on short-term leases and leases of low-value assets which are not subject to IFRS 16 for the year ended December 31, 2019 were \$287,715 and \$9,950, respectively.

(10) Investment property

| | Land | Buildings and structures | Total |
|---|---------------------|-----------------------------|---------------------|
| <u>At January 1, 2019</u> | | | |
| Cost | \$ 1,435,178 | \$ 2,705,183 | \$ 4,140,361 |
| Accumulated depreciation and impairment | - | (1,356,587) | (1,356,587) |
| | <u>\$ 1,435,178</u> | <u>\$ 1,348,596</u> | <u>\$ 2,783,774</u> |
| <u>2019</u> | | | |
| Opening net book amount | \$ 1,435,178 | \$ 1,348,596 | \$ 2,783,774 |
| Reclassifications (transfer during the year) | 12,545 | 23,379 | 35,924 |
| Depreciation charge | - | (64,987) | (64,987) |
| Net exchange differences | (4,498) | 12,357 | 7,859 |
| Closing net book amount | <u>\$ 1,443,225</u> | <u>\$ 1,319,345</u> | <u>\$ 2,762,570</u> |
| <u>At December 31, 2019</u> | | | |
| Cost | \$ 1,443,225 | \$ 2,712,555 | \$ 4,155,780 |
| Accumulated depreciation and impairment | - | (1,393,210) | (1,393,210) |
| | <u>\$ 1,443,225</u> | <u>\$ 1,319,345</u> | <u>\$ 2,762,570</u> |
| | Land | Buildings and structures | Total |
| <u>At January 1, 2018</u> | | | |
| Cost | \$ 1,429,333 | \$ 2,626,469 | \$ 4,055,802 |
| Accumulated depreciation and impairment | - | (1,172,325) | (1,172,325) |
| | <u>\$ 1,429,333</u> | <u>\$ 1,454,144</u> | <u>\$ 2,883,477</u> |
| <u>2018</u> | | | |
| Opening net book amount | \$ 1,429,333 | \$ 1,454,144 | \$ 2,883,477 |
| Reclassifications (transfer during the year) | - | (33,304) | (33,304) |
| Depreciation charge | - | (64,894) | (64,894) |
| Net exchange differences | 5,845 | (7,350) | (1,505) |
| Closing net book amount | <u>\$ 1,435,178</u> | <u>\$ 1,348,596</u> | <u>\$ 2,783,774</u> |
| <u>At December 31, 2018</u> | | | |
| Cost | \$ 1,435,178 | \$ 2,705,183 | \$ 4,140,361 |
| Accumulated depreciation and impairment | - | (1,356,587) | (1,356,587) |
| | <u>\$ 1,435,178</u> | <u>\$ 1,348,596</u> | <u>\$ 2,783,774</u> |

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

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|--|---|---|
| Rental income from investment property | \$ 148,493 | \$ 165,527 |
| Direct operating expenses arising from the investment property that generated rental income during the year | \$ 33,612 | \$ 34,543 |
| Direct operating expenses arising from the investment property that did not generate rental income during the year | \$ - | \$ - |

- B. The fair value of the investment property held by the Group as at December 31, 2019 and 2018 was \$4,850,243 and \$4,767,717, respectively, which is categorized within Level 3 in the fair value hierarchy.

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

| | 2019 | 2018 |
|---|--------------|--------------|
| <u>At January 1</u> | | |
| Cost | \$ 5,233,626 | \$ 5,396,065 |
| Accumulated amortization and impairment | - | - |
| | \$ 5,233,626 | \$ 5,396,065 |
| Opening net book amount | \$ 5,233,626 | \$ 5,396,065 |
| Disposals | - | (107,799) |
| Net exchange differences | (194,171) | (54,640) |
| Closing net book amount | \$ 5,039,455 | \$ 5,233,626 |
| <u>At December 31</u> | | |
| Cost | \$ 5,039,455 | \$ 5,233,626 |
| Accumulated amortization and impairment | - | - |
| | \$ 5,039,455 | \$ 5,233,626 |

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

| | December 31, 2019 | December 31, 2018 |
|------------------------------------|-------------------|-------------------|
| Heavy industrial products division | \$ 5,039,455 | \$ 5,233,626 |

- A. On October 15, 2015, the Group acquired 100% equity and obtained control over Motovario S.p.A., which is headquartered in Italy and is primarily engaged in manufacturing and sales of power transmission equipment such as motors and gear reducers, and its subsidiaries for a cash consideration of \$3,989,850 (EUR 108,214 thousand). As of December 31, 2019, the goodwill arising from the merger amounted to \$5,013,661.
- B. The Group derecognized goodwill which was acquired before it lost control over Kuen Ling Machinery Refrigerating Co., Ltd. amounting to \$107,799 as Kuen Ling Machinery Refrigerating Co., Ltd. was no longer included in the Group's consolidated financial

statements starting from May 23, 2018.

(12) Other non-current assets

| | December 31, 2019 | December 31, 2018 |
|--|-------------------|---------------------|
| Long-term prepaid rent | \$ - | \$ 2,532,370 |
| Prepayment for equipment | 335,714 | 219,776 |
| Refundable deposits | 305,771 | 292,542 |
| Long-term notes and accounts receivable | 170,309 | 164,345 |
| Deferred expenses | 65,289 | 81,084 |
| Other assets | 59,924 | 90,582 |
| | <u>\$ 937,007</u> | <u>\$ 3,380,699</u> |

- A. The Group signed a land use right contract for the use of land. The Group recognized rental expenses of \$79,210 for the year ended December 31, 2018. The Group transferred long-term prepaid rent to right-of-use assets for the application of IFRS 16 since January 1, 2019.
- B. On January 14, 2005, the Group's subsidiary, Century Development Corporation, completed the registration of right of superficies and paid royalties to Taipei City Government for acquiring land used for construction of the Nankang Software Park. The right of superficies is available for 50 years from the registration date. Land and building shall be returned to Taipei City Government unconditionally upon expiry of the right of superficies. Century Development Corporation's prepaid rents are amortized over the useful life of right of superficies of 50 years.
- C. The Group's subsidiary, CDC Development India Private Limited, acquired the land use right from the local government agency, KIADB, for India industrial park development. As of December 31, 2018, the total amount remitted for the land use right was INR \$1,750,350 and CDC Development India Private Limited acquired the land use right.

(13) Short-term borrowings

| Type of borrowings | December 31, 2019 | Interest rate range | Collateral |
|--------------------|---------------------|---------------------|--|
| Bank borrowings | <u>\$ 1,857,637</u> | 0.63%~3.22% | Financial assets at fair value through other comprehensive income, notes receivable, investments accounted for under the equity method, land, buildings and structures, Right-of-use assets, treasury stocks |
| Type of borrowings | December 31, 2018 | Interest rate range | Collateral |
| Bank borrowings | <u>\$ 1,994,360</u> | 0.65%~3.75% | Financial assets at fair value through other comprehensive income, notes receivable, investments accounted for under the equity method, land, buildings and structures, treasury stocks |

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

| Items | December 31, 2019 | December 31, 2018 |
|--|-------------------|-------------------|
| Current items: | | |
| Financial liabilities held for trading | | |
| Non-hedging derivatives | \$ 50 | \$ - |

A. The Group recognized net (loss) income of (\$279) and \$2,528 on financial liabilities held for trading for the years ended December 31, 2019 and 2018, respectively.

B. Explanations of the transactions and contract information in respect of non-hedged derivative financial liabilities are as follows:

| December 31, 2019 | | | |
|---------------------------|-----------------------|---|------------|
| Financial instrument | Contract period | Contract amount (notional principal) | Fair value |
| Forward exchange contract | | | |
| SELL USD/BUY RMB | 2019.11.26~2020.01.21 | USD 500,000 | \$ 50 |

C. As of December 31, 2018, the Group had no non-hedging derivative financial instrument transactions.

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

(15) Other payables

| | December 31, 2019 | December 31, 2018 |
|--|---------------------|---------------------|
| Salary and wages payable | \$ 1,839,455 | \$ 1,938,276 |
| Employees' compensation payable | 548,749 | 569,487 |
| Dealers' bonus commission payable | 189,286 | 226,860 |
| Directors' and supervisors' remuneration payable | 139,813 | 135,793 |
| Equipment payable | 75,414 | 181,192 |
| Dividends payable | 25,612 | 25,711 |
| Others | 1,858,259 | 1,643,041 |
| | <u>\$ 4,676,588</u> | <u>\$ 4,720,360</u> |

(16) Bonds payable

| | December 31, 2019 | December 31, 2018 |
|--|---------------------|---------------------|
| Issuance of bonds payable | \$ 4,000,000 | \$ 4,000,000 |
| Less: Current portion of bonds payable (listed as '2320 Long-term liabilities, current portion') | (3,000,000) | - |
| | <u>\$ 1,000,000</u> | <u>\$ 4,000,000</u> |

A. The terms of the first domestic unsecured ordinary corporate bonds issued by the Company in 2015 are as follows:

The Company issued \$3,000,000, 1.45% first domestic unsecured ordinary corporation bonds,

as approved by the regulatory authority on June 18, 2015. The bonds mature 5 years from the issue date (June 18, 2015 ~ June 18, 2020) and will be redeemed at face value at the maturity date.

- B. The terms of the first domestic unsecured ordinary corporate bonds issued by the Company in 2017 are as follows:

The Company issued \$1,000,000, 1.02% first domestic unsecured ordinary corporation bonds, as approved by the regulatory authority on September 15, 2017. The bonds mature 5 years from the issue date (September 15, 2017 ~ September 15, 2022) and will be redeemed at face value at the maturity date.

(17) Long-term borrowings

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2019 |
|---|--|------------------------|------------|----------------------|
| Long-term bank borrowings and commercial papers payable | Both borrowing periods are from Aug. 4, 2016 to Dec. 31, 2021; payable based on the terms agreed | 0.48%~3.92% | Note | \$ 7,084,752 |

Less: Current portion (listed as '2320 Long-term liabilities, current portion') (410,798)

\$ 6,673,954

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2018 |
|---|--|------------------------|------------|----------------------|
| Long-term bank borrowings and commercial papers payable | Both borrowing periods are from Mar. 16, 2011 to Aug. 4, 2021; payable based on the terms agreed | 0.35%~2.27% | Note | \$ 7,650,846 |

Less: Current portion (listed as '2320 Long-term liabilities, current portion') (904,492)

\$ 6,746,354

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

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

- B. As of December 31, 2019 and 2018, the Group has undrawn borrowing facilities of \$20,190,686 and \$18,253,982, respectively.

(18) Pensions

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

contribution to cover the deficit by next March.

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

| | December 31, 2019 | December 31, 2018 |
|--|-------------------|-------------------|
| Present value of defined benefit obligations | (\$ 2,076,737) | (\$ 2,209,928) |
| Fair value of plan assets | 273,086 | 346,370 |
| Net defined benefit liability | (\$ 1,803,651) | (\$ 1,863,558) |

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

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

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|--|--|------------------------------|----------------------------------|
| For the year ended December 31, 2018 | | | |
| Balance at January 1 | (\$ 2,421,192) | \$ 377,752 | (\$ 2,043,440) |
| Current service cost | (56,242) | - | (56,242) |
| Interest (expense) income | (34,144) | 5,891 | (28,253) |
| Past service cost | 2,089 | - | 2,089 |
| | <u>(2,509,489)</u> | <u>383,643</u> | <u>(2,125,846)</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 9,862 | 9,862 |
| Change in demographic assumptions | (472) | - | (472) |
| Change in financial assumptions | (62,998) | - | (62,998) |
| Experience adjustments | 14,485 | - | 14,485 |
| | <u>(48,985)</u> | <u>9,862</u> | <u>(39,123)</u> |
| Pension fund contribution | - | 97,091 | 97,091 |
| Paid pension | 184,419 | (124,290) | 60,129 |
| Paid from the account | 7,841 | (4,168) | 3,673 |
| Effect of decrease in consolidated entities | 121,942 | (15,780) | 106,162 |
| Others | 34,344 | 12 | 34,356 |
| Balance at December 31 | <u>(\$ 2,209,928)</u> | <u>\$ 346,370</u> | <u>(\$ 1,863,558)</u> |

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company and its domestic subsidiaries defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and its domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|-------------------------|---|---|
| Discount rate | 0.70%~6.85% | 0.80%~6.85% |
| Future salary increases | 0.50%~8.16% | 0.50%~8.16% |

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

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

| | Discount rate | | Future salary increases | |
|---|---------------|---------------|-------------------------|---------------|
| | Increase 0.5% | Decrease 0.5% | Increase 0.5% | Decrease 0.5% |
| December 31, 2019 | | | | |
| Effect on present value of defined benefit obligation | (\$ 72,803) | \$ 77,294 | \$ 76,417 | (\$ 72,425) |
| December 31, 2018 | | | | |
| Effect on present value of defined benefit obligation | (\$ 80,367) | \$ 85,374 | \$ 84,512 | (\$ 80,199) |

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

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

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 is \$40,613.

- B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Group's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2019 and 2018 was 13%~20%. Other than the monthly contributions, the Group has no further obligations.
- (c) Monthly contributions to an independent fund administered by the local pension managing agency are based on a certain percentage of monthly salaries and wages of the Group's other overseas subsidiaries' employees.
- (d) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were \$435,629 and \$472,119, respectively.

(19) Share capital

A. As of December 31, 2019, the Company's authorized capital was \$30,305,500, consisting of 3,030,550 thousand shares of ordinary stock, including 100 million shares reserved for employee stock options, and the paid-in capital was \$19,676,929 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

| | 2019 | 2018 |
|-------------------------------|--------------|--------------|
| At January 1 | \$ 2,002,693 | \$ 2,002,693 |
| Share repurchased and retired | (35,000) | - |
| At December 31 | \$ 1,967,693 | \$ 2,002,693 |

Note: Shares in thousands.

- B. The Board of Directors during its meeting on December 22, 2018 resolved a plan to purchase treasury shares. In addition, the Board of Directors during its meeting on May 13, 2019 resolved a capital reduction through retiring 35,000 thousand of treasury shares and it was registered on June 11, 2019. The purchase amount of treasury shares was \$675,840 and the share capital and capital surplus was decreased by \$350,000 and \$325,840, respectively. As a result, the retirement of treasury shares has no impact to the total amount of stockholders' equity.
- C. All of the shares of the Company held by the Company's subsidiaries-Tong-An Investment Co., Ltd. and An-Tai International Investment Co., Ltd. were acquired in or before 2000 for the purpose of general investment. After a regulation of the Company Act was amended in 2000 wherein the shares of the holding company shall not be purchased nor be accepted as a security or pledge by its subsidiary, the two subsidiaries did not acquire additional shares of the Company. In addition, Top-Tower Enterprises Co., Ltd. also held the Company's shares before the Company obtained control of Top-Tower Enterprises Co., Ltd. in August, 2013, and did not acquire additional shares of the Company again after the Company obtained its control. As of December 31, 2019 and 2018, book value of the shares of the Company held by the three subsidiaries all amounted to \$321,563.

Details are as follows:

| | December 31, 2019 | | |
|---|--------------------------|----------------------|------------------------------|
| | Shares (in thousands) | Cost (in dollars) | Market value (in dollars) |
| Tong-An Investment Co., Ltd. | 19,540 | \$ 14.92 | \$ 26.20 |
| An-Tai International Investment Co., Ltd. | 2,826 | 10.37 | 26.20 |
| Top-Tower Enterprises Co., Ltd. | 77 | 9.37 | 26.20 |
| | <u>22,443</u> | | |
| | December 31, 2018 | | |
| | Shares (in thousands) | Cost (in dollars) | Market value (in dollars) |
| Tong-An Investment Co., Ltd. | 19,540 | \$ 14.92 | \$ 17.45 |
| An-Tai International Investment Co., Ltd. | 2,826 | 10.37 | 17.45 |
| Top-Tower Enterprises Co., Ltd. | 77 | 9.37 | 17.45 |
| | <u>22,443</u> | | |

(20) Capital surplus

- A. Pursuant to the R.O.C Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C Securities and

Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. The impact of the share capital retirement of 2019 on capital surplus is provided in Note 6(19).

(21) Retained earnings and legal reserve

A. As stipulated in the Company's Articles of Incorporation, the current earnings, if any, shall be distributed in the following order:

- (a) Payment of taxes and duties.
- (b) Covering prior years' accumulated deficit, if any.
- (c) After deducting items (a) and (b), set aside 10% of the remaining amount as legal reserve.
- (d) Set aside a certain amount as special reserve, if any.
- (e) Distributing the remaining amount plus prior years' retained earnings to shareholders according to their shareholding percentage. The distribution rate is principally 80%, of which cash dividend shall account for 5% ~ 50% of the distributed amount.

B. The Company's dividend policy is summarized below:

The Company's operating environment is in the stable growth stage. However, investee companies are still in the growth stage. In view of the future plant expansion and investment plans, the appropriations of earnings are based on the distributable earnings and appropriate principally 80% to shareholders as dividends. Cash dividends shall account for at least 5% up to maximum of 50% of total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land. As of December 31, 2018, the amount previously set aside as special reserve on initial application of IFRSs and yet to be reversed amounted to \$3,640,779.

E. The Company recognized dividends distributed to owners amounting to \$1,770,924 (\$0.9 (in dollars) per share) and \$1,722,316 (\$0.86 (in dollars) per share) for the years ended December 31, 2019 and 2018, respectively. On March 17, 2020, the Board of Directors proposed for the distribution of dividends from 2019 earnings in the amount of \$1,948,016 with \$0.99 (in dollars) per share.

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(27).

(22) Other equity items

| | Unrealized gains on valuation | Currency translation | Total |
|---|----------------------------------|-------------------------|---------------------|
| At January 1, 2019 | \$ 3,006,782 | (\$ 1,901,724) | \$ 1,105,058 |
| Unrealized gains and losses on financial assets: | | | |
| –Group | 3,292,609 | - | 3,292,609 |
| –Associates | 13,908 | - | 13,908 |
| Revaluation transferred to retained earnings | (65,818) | - | (65,818) |
| Currency translation differences: | | | |
| –Group | - | (775,001) | (775,001) |
| At December 31, 2019 | <u>\$ 6,247,481</u> | <u>(\$ 2,676,725)</u> | <u>\$ 3,570,756</u> |
| | Unrealized gains on valuation | Currency translation | Total |
| At January 1, 2018 | \$ - | (\$ 1,759,357) | (\$ 1,759,357) |
| IFRS opening balance adjustment | 1,848,757 | - | 1,848,757 |
| Unrealized gains and losses on financial assets: | | | |
| –Group | 605,558 | - | 605,558 |
| –Associates | (20,180) | - | (20,180) |
| Revaluation transferred to retained earnings | 572,647 | - | 572,647 |
| Currency translation differences: | | | |
| –Group | - | (142,367) | (142,367) |
| At December 31, 2018 | <u>\$ 3,006,782</u> | <u>(\$ 1,901,724)</u> | <u>\$ 1,105,058</u> |

(23) Operating revenue

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|
| Revenue from customers | \$ 46,964,134 | \$ 49,361,180 |
| Others-rental revenue | 822,126 | 794,813 |
| Others-gain (loss) on financial assets at fair value through profit or loss | 123,098 | (51,066) |
| | <u>\$ 47,909,358</u> | <u>\$ 50,104,927</u> |

A. Disaggregation of revenue from customers

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

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|------------------------------------|---|---|
| | Revenue from external customer contracts | Revenue from external customer contracts |
| Sales of heavy industrial products | \$ 29,057,373 | \$ 29,684,770 |
| Sales of home appliances | 5,064,350 | 5,940,812 |
| Others | 2,001,515 | 2,866,510 |
| Service revenue | 7,642,276 | 7,520,090 |
| Construction contract | 3,198,620 | 3,348,998 |
| | <u>\$ 46,964,134</u> | <u>\$ 49,361,180</u> |

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

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

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|--|---|---|
| Revenue recognized that was included in the contract liability balance at the beginning of the period | | |
| Electromechanical engineering contracts | \$ - | \$ - |
| Advance sales receipts | 581,346 | 871,551 |
| Royalty received in advance | 821 | 1,768 |
| | <u>\$ 582,167</u> | <u>\$ 873,319</u> |

(24) Other income

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---------------------------------------|---|---|
| Interest income from bank deposits | \$ 316,546 | \$ 219,986 |
| Rental revenue | 164,835 | 197,825 |
| Dividend income | 616,897 | 553,818 |
| Other non-operating income | 299,739 | 292,454 |
| | <u>\$ 1,398,017</u> | <u>\$ 1,264,083</u> |

(25) Other gains and losses

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|--|---|---|
| Loss on disposal of property, plant and equipment | (\$ 22,635) | (\$ 29,086) |
| Gain on disposal of investments | 34,063 | 631 |
| Net currency exchange (loss) gain | (39) | 76,925 |
| Gain (loss) on financial assets at fair value through profit or loss | 93,472 | (109,909) |
| (Loss) gain on financial assets and liabilities at fair value through profit or loss | (279) | 2,528 |
| (Impairment loss) Reversal of impairment loss recognised in profit or loss | (20,625) | 32,335 |
| Miscellaneous disbursements | (345,527) | (409,823) |
| Gain on remeasurement (Note) | - | 46,515 |
| | (\$ 261,570) | (\$ 389,884) |

Note: Because the Group lost control over Kuen Ling Machinery Refrigerating Co. (Kuen Ling), the Group measured Kuen Ling's shares which were held before the Group lost control over Kuen Ling based on fair value, and recognized the related gain on measurement. Please refer to Note 6(7) for more information.

(26) Finance costs

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|------------------------|---|---|
| Interest expense | \$ 261,857 | \$ 218,005 |
| Other finance expenses | 1,991 | 4,535 |
| | \$ 263,848 | \$ 222,540 |

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

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|
| Wages and salaries | \$ 8,349,747 | \$ 8,850,328 |
| Employees' compensation and directors' and supervisors' remuneration | 540,741 | 691,645 |
| Labor and health insurance fees | 948,658 | 926,335 |
| Pension costs | 511,734 | 554,525 |
| Other personnel expenses | 445,655 | 445,182 |
| Depreciation charges on property, plant and equipment as well as investment property | 1,327,928 | 1,392,684 |
| Depreciation charges on right-of-use assets and amortization charges on intangible assets | 611,871 | 135,856 |

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

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$258,192 and \$255,103, respectively; while directors' and supervisors' remuneration was accrued at \$114,752 and \$113,379, respectively. The aforementioned amounts were recognized in salary expenses.

C. For the years ended December 31, 2019 and 2018, after considering each year's earnings, the employee benefit expenses were accrued based on past experience and ratio.

The employees' compensation and directors' and supervisors' remuneration for 2018 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2018 financial statements. As of December 31, 2019, abovementioned earnings of prior year have not yet been distributed.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the period | \$ 773,894 | \$ 657,519 |
| Tax on undistributed surplus earnings | 116,364 | 102,786 |
| Prior year income tax (over) underestimation | (52,262) | 4,498 |
| Effect from Alternative Minimum tax | 7,681 | 6,456 |
| Total current tax | <u>845,677</u> | <u>771,259</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 74,997 | (135,392) |
| Impact of change in tax rate | - | 174,452 |
| Total deferred tax | <u>74,997</u> | <u>39,060</u> |
| Income tax expense | <u>\$ 920,674</u> | <u>\$ 810,319</u> |

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

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|--|---|---|
| Currency translation differences | (\$ 25,774) | (\$ 4,532) |
| Remeasurement of defined benefit obligations | (95) | (1,534) |
| Impact of change in tax rate | - | (60,449) |
| | <u>(\$ 25,869)</u> | <u>(\$ 66,515)</u> |

B. Reconciliation between income tax expense and accounting profit

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|--|---|---|
| Tax calculated based on profit before tax and statutory tax rate | \$ 1,437,110 | \$ 1,388,411 |
| Effects from items disallowed by tax regulation | (424,593) | (615,121) |
| Effect from investment tax credits | (76,013) | (3,159) |
| Prior year income tax (over) underestimation | (52,262) | 4,498 |
| Underestimation of prior year's net deferred tax assets and liabilities earnings | (55,070) | (172,071) |
| Tax on undistributed surplus earnings | 116,364 | 102,786 |
| Effect from Alternative Minimum Tax | 7,681 | 6,456 |
| Others | (32,543) | (75,933) |
| Impact of change in tax rate | - | 174,452 |
| Income tax expense | <u>\$ 920,674</u> | <u>\$ 810,319</u> |

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

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

| For the year ended December 31, 2018 | | | | | |
|---|-----------------------|------------------------------------|---|--|-----------------------|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | Effect of decrease in consolidated entities | December 31 |
| Temporary differences | | | | | |
| — Deferred tax assets: | \$ 90,530 | (\$ 3,804) | \$ 19,779 | \$ - | \$ 106,505 |
| Impairment loss | 231,223 | (790) | 45,073 | - | 275,506 |
| Currency translation differences | | | | | |
| Difference resulting from different useful lives of property, plant and equipment between financial and tax basis | 50,602 | 9,906 | - | - | 60,508 |
| Unrealized expenses | 375,724 | (43,707) | - | (12,059) | 319,958 |
| Permanent loss on investments | 29,817 | 5,263 | - | - | 35,080 |
| Loss on inventory | 126,258 | (39,931) | - | (3,070) | 83,257 |
| Over provision of allowance for doubtful accounts | 33,166 | (13,498) | - | (3,381) | 16,287 |
| Others | 311,034 | (63,291) | 1,663 | (17,774) | 231,632 |
| Tax losses | 134,530 | (12,520) | - | - | 122,010 |
| | <u>1,382,884</u> | <u>(162,372)</u> | <u>66,515</u> | <u>(36,284)</u> | <u>1,250,743</u> |
| — Deferred tax liabilities: | | | | | |
| Investment income from foreign investments | \$ 829,815 | (\$ 77,523) | - | (\$ 45,381) | \$ 706,911 |
| Land value incremental reserve | 1,050,369 | - | - | - | 1,050,369 |
| Trademark right | 347,341 | (51,660) | - | - | 295,681 |
| Others | 195,498 | 5,871 | - | (254) | 201,115 |
| | <u>2,423,023</u> | <u>(123,312)</u> | <u>-</u> | <u>(45,635)</u> | <u>2,254,076</u> |
| | <u>(\$ 1,040,139)</u> | <u>(\$ 39,060)</u> | <u>\$ 66,515</u> | <u>\$ 9,351</u> | <u>(\$ 1,003,333)</u> |

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

| December 31, 2019 | | | | |
|-------------------|---------------------------|---------------------|--|----------------------|
| Year incurred | Amount filed/ assessed | Unused amount | Unrecognized deferred tax assets | Usable until year |
| 2010 | Amount assessed | \$ 492,459 | \$ 492,380 | 2020 |
| 2011 | Amount assessed | 225,506 | 225,506 | 2021 |
| 2012 | Amount assessed | 264,854 | 264,854 | 2022 |
| 2013 | Amount assessed | 140,434 | 140,434 | 2023 |
| 2014 | Amount filed | 156,948 | 156,948 | 2024 |
| 2015 | Amount filed | 337,848 | 143,727 | 2025 |
| 2016 | Amount filed | 178,564 | 178,564 | 2026 |
| 2017 | Amount filed | 243,987 | 243,987 | 2027 |
| 2018 | Amount filed | 99,953 | 99,953 | 2028 |
| 2019 | Amount filed | 160,647 | 160,647 | 2029 |
| | | <u>\$ 2,301,200</u> | <u>\$ 2,107,000</u> | |
| December 31, 2018 | | | | |
| Year incurred | Amount filed/ assessed | Unused amount | Unrecognized deferred tax assets | Usable until year |
| 2009 | Amount assessed | \$ 936,512 | \$ 913,411 | 2019 |
| 2010 | Amount assessed | 588,631 | 588,631 | 2020 |
| 2011 | Amount assessed | 305,820 | 305,820 | 2021 |
| 2012 | Amount assessed | 407,619 | 407,619 | 2022 |
| 2013 | Amount assessed | 198,582 | 198,582 | 2023 |
| 2014 | Amount filed | 157,772 | 157,772 | 2024 |
| 2015 | Amount filed | 339,701 | 172,811 | 2025 |
| 2016 | Amount filed | 203,007 | 203,007 | 2026 |
| 2017 | Amount filed | 277,069 | 277,069 | 2027 |
| 2018 | Amount filed | 117,539 | 117,539 | 2028 |
| | | <u>\$ 3,532,252</u> | <u>\$ 3,342,261</u> | |

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

| | December 31, 2019 | December 31, 2018 |
|----------------------------------|---------------------|---------------------|
| Deductible temporary differences | <u>\$ 1,548,165</u> | <u>\$ 1,949,343</u> |

F. As of December 31, 2019, the Company and its subsidiaries' income tax returns through various years between 2014 and 2017, respectively, have been assessed and approved by the Tax Authority.

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

H. Under the amendments to the US Income Tax Act which was promulgated on December 22, 2017, the federal corporate tax rate decreased from 35% to 21%. The Company assessed that there was

no significant impact on the balance of deferred tax assets and deferred tax liabilities.

(29) Earnings per share

| | For the year ended December 31, 2019 | | |
|---|--------------------------------------|--|------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (in thousands) | Earnings per share (in dollars) |
| <u>Basic (Diluted) earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 3,221,717 | 1,949,947 | \$ 1.65 |
| | For the year ended December 31, 2018 | | |
| | Amount after tax | Weighted average number of ordinary shares outstanding (in thousands) | Earnings per share (in dollars) |
| <u>Basic (Diluted) earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 3,150,089 | 1,980,250 | \$ 1.59 |

(30) Supplemental cash flow information

A. Investing activities with partial cash payments:

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|
| Acquisition of property, plant and equipment | \$ 926,988 | \$ 1,235,368 |
| Add: | | |
| Payables at beginning of the period | 181,192 | 136,471 |
| Less: | | |
| Payables at end of the period | (75,414) | (181,192) |
| Cash paid | \$ 1,032,766 | \$ 1,190,647 |

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

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

- C. On May 23, 2018, Kuen Ling Machinery Refrigerating Co., Ltd. re-elected directors and supervisors, and therefore the Group lost control over the subsidiary (please refer to Notes 6 and 10 of Note 4(3)). The details of the consideration received from the transaction (including cash and cash equivalents) and assets and liabilities relating to the subsidiary are as follows:

| | May 23, 2018 | | | |
|---|-----------------------|-----------------------------|-------------------|---|
| Consideration received | | | | |
| Equity instruments | \$ | | | 392,186 |
| Non-controlling interest | | | | 1,100,697 |
| Total consideration | | | | 1,492,883 |
| Carrying amount of the assets and liabilities of the subsidiary | | | | |
| Cash | | | | 434,442 |
| Notes and accounts receivable | | | | 782,661 |
| Contract assets | | | | 44,242 |
| Inventories | | | | 548,071 |
| Other current assets | | | | 108,104 |
| Property, plant and equipment | | | | 502,229 |
| Other non-current assets | | | | 227,677 |
| Short-term borrowings | (| | | 71,795) |
| Notes and accounts payable | (| | | 408,209) |
| Other current liabilities | (| | | 563,431) |
| Long-term borrowings | (| | | 4,916) |
| Other non-current liabilities | (| | | 152,707) |
| Total net assets | | | | 1,446,368 |
| Gain on remeasurement | \$ | | | 46,515 |
| (31) Changes in liabilities from financing activities | | | | |
| | Short-term borrowings | Long-term borrowings (Note) | Lease liabilities | Liabilities from financing activities - gross |
| January 1, 2019 | \$ 1,994,360 | \$ 7,650,846 | \$ - | \$ 9,645,206 |
| Effect of retrospective application | - | - | 5,367,109 | 5,367,109 |
| Interest expenses on lease liabilities | - | - | 91,709 | 91,709 |
| Recognised in right-of-use assets | - | - | 293,543 | 293,543 |
| Changes in cash flow from financing activities | (136,723) | (566,094) | (553,993) | (1,256,810) |
| Effect of foreign exchange | - | - | 20,724 | 20,724 |
| December 31, 2019 | \$ 1,857,637 | \$ 7,084,752 | \$ 5,219,092 | \$ 14,161,481 |

| | Short-term borrowings | Long-term borrowings (Note) | Liabilities from financing activities - gross |
|---|--------------------------|-----------------------------------|---|
| January 1, 2018 | \$ 2,187,621 | \$ 7,343,865 | \$ 9,531,486 |
| Changes in cash flow from financing activities | (121,466) | 311,897 | 190,431 |
| Changes in loss of control in subsidiaries | (71,795) | (4,916) | (76,711) |
| December 31, 2018 | <u>\$ 1,994,360</u> | <u>\$ 7,650,846</u> | <u>\$ 9,645,206</u> |

Note: Including current portion.

(32) Details of significant non-controlling interests

A. As of December 31, 2019 and 2018, the non-controlling interest amounted to \$4,998,286 and \$4,812,255, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

| | Principal place of business | Non-controlling interest | | | |
|--|-----------------------------------|--------------------------|-----------|-------------------|-----------|
| | | December 31, 2019 | | December 31, 2018 | |
| Name of subsidiary | | Amount | Ownership | Amount | Ownership |
| Tecom Co., Ltd. | R.O.C | \$ 351,444 | 36.48% | \$ 343,717 | 36.48% |
| Taiwan Pelican Express Co., Ltd. | R.O.C | 1,173,296 | 67.85% | 1,095,193 | 67.85% |
| Century Development Corporation | R.O.C | 2,004,888 | 47.25% | 2,122,394 | 47.25% |
| Information Technology Total Services Co., Ltd. | R.O.C | 268,520 | 50.99% | 91,954 | 32.89% |

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

C. Summarized financial information of the subsidiaries:

Balance sheets

| | Tecom Co., Ltd. | |
|-------------------------|---|---------------------|
| | December 31, 2019 | December 31, 2018 |
| Current assets | \$ 1,121,509 | \$ 1,310,189 |
| Non-current assets | 1,109,649 | 794,441 |
| Current liabilities | (1,013,097) | (1,145,990) |
| Non-current liabilities | (604,596) | (359,631) |
| Total net assets | <u>\$ 613,465</u> | <u>\$ 599,009</u> |
| | Taiwan Pelican Express Co., Ltd. | |
| | December 31, 2019 | December 31, 2018 |
| Current assets | \$ 1,749,165 | \$ 1,638,107 |
| Non-current assets | 1,830,120 | 744,434 |
| Current liabilities | (871,696) | (741,776) |
| Non-current liabilities | (978,339) | (26,555) |
| Total net assets | <u>\$ 1,729,250</u> | <u>\$ 1,614,210</u> |
| | Century Development Corporation | |
| | December 31, 2019 | December 31, 2018 |
| Current assets | \$ 1,005,500 | \$ 901,156 |
| Non-current assets | 7,693,801 | 5,697,648 |
| Current liabilities | (696,540) | (588,627) |
| Non-current liabilities | (2,955,297) | (671,449) |
| Total net assets | <u>\$ 5,047,464</u> | <u>\$ 5,338,728</u> |
| | Information Technology Total Services Co., Ltd. | |
| | December 31, 2019 | December 31, 2018 |
| Current assets | \$ 635,761 | \$ 662,639 |
| Non-current assets | 311,364 | 279,598 |
| Current liabilities | (229,859) | (519,068) |
| Non-current liabilities | (195,782) | (146,308) |
| Total net assets | <u>\$ 521,484</u> | <u>\$ 276,861</u> |

Statements of comprehensive income

| Tecom Co., Ltd. | | |
|--|---|---|
| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
| Revenue | \$ 1,563,994 | \$ 2,428,662 |
| Loss before income tax | (112,474) | (51,258) |
| Income tax expense | (3,439) | (4,248) |
| Loss for the year | (115,913) | (55,506) |
| Other comprehensive income (net of tax) | 127,266 | 110,905 |
| Total comprehensive income for the year | \$ 11,353 | \$ 55,399 |
| Comprehensive income (loss) attributable to non-controlling interest | \$ 3,745 | \$ 14,829 |
| Taiwan Pelican Express Co., Ltd. | | |
| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
| Revenue | \$ 3,712,520 | \$ 3,360,947 |
| Profit before income tax | 201,826 | 78,919 |
| Income tax expense | (40,218) | (10,444) |
| Profit for the year | 161,608 | 68,475 |
| Other comprehensive income (loss) (net of tax) | 45,113 | (16,867) |
| Total comprehensive income for the year | \$ 206,721 | \$ 51,608 |
| Comprehensive income attributable to non-controlling interest | \$ 109,646 | \$ 46,458 |
| Dividends paid to non-controlling interests | \$ 38,865 | \$ 68,010 |

| | Century Development Corporation | |
|---|---|---|
| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
| Revenue | \$ 1,002,223 | \$ 1,050,641 |
| Profit before income tax | 266,488 | 287,386 |
| Income tax expense | (68,916) | (68,433) |
| Profit for the year | 197,572 | 218,953 |
| Other comprehensive loss (net of tax) | (37,261) | (8,789) |
| Total comprehensive income for the year | <u>\$ 160,311</u> | <u>\$ 210,164</u> |
| Comprehensive income attributable to non-controlling interest | <u>\$ 115,991</u> | <u>\$ 106,174</u> |
| Dividends paid to non-controlling interest | <u>\$ 31,763</u> | <u>\$ 50,903</u> |
| | Information Technology Total Services Co., Ltd. | |
| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
| Revenue | \$ 1,227,636 | \$ 1,217,463 |
| Profit before income tax | 70,715 | 60,945 |
| Income tax expense | (10,317) | (15,912) |
| Profit for the year | \$ 60,398 | \$ 45,033 |
| Other comprehensive (loss) income (net of tax) | (1,608) | 1,155 |
| Total comprehensive income for the year | <u>\$ 58,790</u> | <u>\$ 46,188</u> |
| Comprehensive income attributable to non-controlling interest | <u>\$ 27,097</u> | <u>\$ 13,734</u> |
| Dividends paid to non-controlling interest | <u>\$ 18,834</u> | <u>\$ 11,481</u> |

Statements of cash flows

| | Tecom Co., Ltd. | |
|---|---|---|
| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
| Net cash (used in) provided by operating activities | (\$ 142,847) | \$ 171,452 |
| Net cash provided by (used in) investing activities | 84,306 (| 149,562) |
| Net cash provided by (used in) financing activities | 68,413 (| 146,222) |
| Increase (decrease) in cash and cash equivalents | 9,872 (| 124,332) |
| Cash and cash equivalents, beginning of year | 181,889 | 306,221 |
| Cash and cash equivalents, end of year | \$ 191,761 | \$ 181,889 |
| | Taiwan Pelican Express Co., Ltd. | |
| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
| Net cash provided by operating activities | \$ 473,087 | \$ 123,630 |
| Net cash used in investing activities | (98,466) (| 181,505) |
| Net cash used in financing activities | (205,973) (| 95,148) |
| Effect of exchange rates on cash and cash equivalents | (89) (| 30) |
| Increase (decrease) in cash and cash equivalents | 168,559 (| 153,053) |
| Cash and cash equivalents, beginning of year | 888,268 | 1,041,321 |
| Cash and cash equivalents, end of year | \$ 1,056,827 | \$ 888,268 |

| Century Development Corporation | | |
|---|---|---|
| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
| Net cash provided by operating activities | \$ 376,128 | \$ 373,434 |
| Net cash used in investing activities | (65,843) | (1,074,898) |
| Net cash (used in) provided by financing activities | (297,691) | 457,951 |
| Effect of exchange rates on cash and cash equivalents | (8,166) | (14,048) |
| Increase (decrease) in cash and cash equivalents | 4,428 | (257,561) |
| Cash and cash equivalents, beginning of year | 550,896 | 808,457 |
| Cash and cash equivalents, end of year | \$ 555,324 | \$ 550,896 |
| Information Technology Total Services Co., Ltd. | | |
| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
| Net cash (used in) provided by operating activities | (\$ 23,816) | \$ 111,635 |
| Net cash (used in) provided by investing activities | (15,145) | 44,851 |
| Net cash used in financing activities | (45,004) | (53,737) |
| Effect of exchange rates on cash and cash equivalents | (786) | (322) |
| (Decrease) increase in cash and cash equivalents | (84,751) | 102,427 |
| Cash and cash equivalents, beginning of year | 155,225 | 52,798 |
| Cash and cash equivalents, end of year | \$ 70,474 | \$ 155,225 |

7. Related Party Transactions

(1) Names of related parties and relationship

| Names of related parties | Relationship with the Group | Names of related parties | Relationship with the Group |
|---|-----------------------------|--|-----------------------------|
| Teco Middle East Electrical & Machinery Co., Ltd. (TME) | Associates | Xianlaoman Food Services Co., Ltd. (Xianlaoman) | Associates |
| Teco (PHILIPPINES) 3C & Appliances, Inc (Teco 3C) | " | Teco Group Science Technology (Han Zou) Co., Ltd. (Teco Group) | " |
| Jiangxi Teco - Lead PM Generator (Jiangxi Teco - Lead) | " | Shanghai Tungpei Enterprise Co., Ltd. (Shanghai Tungpei) | " |
| Taian-Jaya Electric Sdn. Bhd. (Taian-Jaya) | " | Greyback International Property, Inc. (Greyback) | " |
| Hubbell-Taian Co., Ltd. (Hubbell) | " | ABC Cooking Studio Taiwan Co., Ltd. | " |
| An-Sheng Travel Co., Ltd. | " | Qingdao Teco Century Advanced HighTech Mechatronics Co., Ltd. (Teco Century) | " |
| Le-Li Co., Ltd. (Le-Li) | " | Senergy Wind Power Co., Ltd. (Senergy Wind Power) (Note 4) | " |
| Lien Chang Electronic Enterprise Co., Ltd. (Lien Chang) | " | Ropali-Teco Corporation (ROTECO) | " |
| Tung Pei Industrial Co., Ltd. (Tung Pei) | " | Fujio Food System Taiwan Co., Ltd. (Fujio Food) | " |
| Taian Electric Co., Ltd. (Taian Electric) | " | Foremost International Food & Beverage Co., Ltd. (Foremost Food) | " |
| Royal Host Taiwan Co., Ltd. (Royal Host) | " | Teco Technology & Marketing Center Co., Ltd. (TTMC) | " |
| Taisan Electric Co., Ltd. (Taisan Electric) | " | An-shin Food Service Co., Ltd. (An-shin) | Other related parties |
| Tension Envelope Taiwan Co., Ltd. (Tension) | " | Teco Image System Co., Ltd. (Teco Image) | " |
| Creative Sensor Inc. (Creative Senso) | " | Ming Full Ltd. (Ming Food) | " |
| Kogle Foods Co., Ltd. (Kogle) | " | Taiwan Art & Business Interdisciplinary Foundation (Taiwan Art) | " |
| TG Teco Vacuum Insulated Glass (TG Teco Vacuum Insulated Glass) | " | Xia Men An-Shin Food Management Co., Ltd. (Xia Men An-Shin) | " |
| Teco-Motech Co., Ltd. (Teco-Motech) | " | Teco Technology Foundation (Teco Found) | " |
| Kuen Ling Co., Ltd. (Kuen Ling) (Note 1) | " | Koryo Electronics Co., Ltd. (Koryo) | " |
| Shanghai Xiangseng Mechanical and Electrical Trading Co., Ltd. (Shanghai Xiangseng) | " | YUBAN & COMPANY | " |

Note 1: The Group had lost control over the company since May 23, 2018 as the company re-elected directors and supervisors. Therefore, the company was no longer included in the Group's consolidated financial statements. The investee became an associate.

Note 2: The Company has been liquidated in 2018.

(2) Significant related party transactions

A. Operating revenue:

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|------------------------------|---|---|
| Sales of goods and services: | | |
| Associates | \$ 391,617 | \$ 433,304 |
| Other related parties | 329,885 | 391,833 |
| | <u>\$ 721,502</u> | <u>\$ 825,137</u> |

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

B. Purchases of goods:

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|-----------------------|---|---|
| Purchases of goods: | | |
| Associates | \$ 343,927 | \$ 461,603 |
| Other related parties | 180 | 207 |
| | <u>\$ 344,107</u> | <u>\$ 461,810</u> |

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

C. Receivables from related parties:

| | December, 2019 | December 31, 2018 |
|--|-------------------|-------------------|
| Receivables from related parties: | | |
| Associates | \$ 185,931 | \$ 154,346 |
| Other related parties | 53,432 | 94,273 |
| Less: Reclassified to other receivables | (5,613) | (4,706) |
| | <u>233,750</u> | <u>243,913</u> |
| Other receivables - transfer of accounts receivable that were past due | | |
| Associates | 5,613 | 4,706 |
| Other receivables - others | | |
| Associates | | |
| TTMC. | 50,798 | 51,724 |
| Others | 19,706 | 10,991 |
| Other related parties | 5,252 | 3,558 |
| | <u>75,756</u> | <u>66,273</u> |
| | <u>81,369</u> | <u>70,979</u> |
| | <u>\$ 315,119</u> | <u>\$ 314,892</u> |

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

(b) The aforementioned accounts receivable that were past due were \$5,613 and \$4,706 as of December 31, 2019 and 2018, respectively. The ageing of the past due accounts receivable is beyond 90 days.

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

D. Payables to related parties:

| | December, 2019 | December 31, 2018 |
|------------------------------|-------------------|-------------------|
| Payables to related parties: | | |
| Associates | \$ 209,719 | \$ 225,882 |
| Other related parties | 26 | 1,039 |
| | <u>\$ 209,745</u> | <u>\$ 226,921</u> |

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

E. Property transactions

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

F. Endorsements and guarantees provided to related parties:

| | December 31, 2019 | December 31, 2018 |
|------------|-------------------|-------------------|
| Associates | <u>\$ 43,477</u> | <u>\$ 42,675</u> |

(3) Key management compensation

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|--|---|---|
| Salaries and other short-term employee benefits | \$ 486,990 | \$ 506,447 |
| Post-employment benefits | 6,392 | 5,745 |
| | <u>\$ 493,382</u> | <u>\$ 512,192</u> |

8. Pledged Assets

| Pledged asset | Book value | | Purpose |
|---|---------------------|---------------------|--|
| | December 31, 2019 | December 31, 2018 | |
| Notes receivable | \$ 344,369 | \$ 97,899 | Short-term-borrowings, merchandise loans, deposits for acceptance bill |
| Other current assets | | | |
| Demand deposits | 176,735 | 96,703 | Short-term borrowings, deposits for renting warehouses, deposits for acceptance bill, provisional seizure guarantee of compensation, exercise guarantee for construction, warranty margin, engineering bond, tariff guarantee, merchandise loans and seizure guarantee |
| Time deposits | 263,477 | 373,626 | Engineering bond, merchandise loans, long-term and short-term borrowings, engineering guarantees, customs security deposit, warranty margin, exercise guarantee for construction, quality assurance for product sales and seizure guarantee |
| Financial assets at fair value through other comprehensive income - non-current | | | |
| Teco Image System Co., Ltd. | - | 16,800 | Short-term borrowings and commercial papers payable |
| Far Eastone Telecommunications Co., Ltd. | 216,300 | 229,200 | " |
| Innolux Corporation | - | 21,144 | Long-term borrowings |
| Taiwan High Speed Rail Corporation | 460,800 | 495,585 | " |
| Non-current financial assets at amortised cost | 150,000 | 150,000 | Performance guarantee |
| Investments accounted for under the equity method | | | |
| Creative Sensor Inc. | - | 110,710 | Short-term borrowings |
| Property, plant, and equipment | | | |
| Land | 110,299 | 96,184 | Long-term borrowings, short-term borrowings |
| Buildings and structures | 3,287,115 | 3,406,348 | " |
| Right-of-use assets | 897,465 | - | Long-term borrowing |
| Other non-current assets | | | |
| Refundable deposits | 26,155 | 5,886 | Exercise guarantee or warranty for construction and exercise guarantee for tender |
| Long-term prepaid rent | - | 923,079 | Short-term borrowings, long-term borrowings and endorsements and guarantees to others |
| Treasury stock | 247,091 | 247,091 | Short-term borrowings |
| | <u>\$ 6,179,806</u> | <u>\$ 6,270,255</u> | |

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Contingencies

None.

(2) Commitments

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

| | December 31, 2019 | December 31, 2018 |
|-------------------------------|---------------------|-------------------|
| Property, plant and equipment | \$ 1,769,644 | \$ 176,357 |
| Intangible assets | 1,443 | 1,240 |
| | <u>\$ 1,771,087</u> | <u>\$ 177,597</u> |

B. Operating lease commitments

The Company leases offices, factory and warehouse under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | December 31, 2019 |
|---|---------------------|
| Not later than one year | \$ 699,882 |
| Later than one year but not later than five years | 1,546,135 |
| Later than five years | <u>5,813,466</u> |
| | <u>\$ 8,059,483</u> |

C. As of December 31, 2019, the outstanding usance L/C used for acquiring raw materials and equipment was \$573,019.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

| | December 31, 2019 | December 31, 2018 |
|--|----------------------|----------------------|
| <u>Financial assets</u> | | |
| Financial assets at fair value through profit or loss | | |
| Financial assets mandatorily measured at fair value through profit or loss | \$ 2,418,162 | \$ 2,334,158 |
| Financial assets at fair value through other comprehensive income | | |
| Designation of equity instrument | \$ 15,538,746 | \$ 12,350,476 |
| Financial assets at amortised cost /Loans and receivables | | |
| Cash and cash equivalents | \$ 19,111,371 | \$ 17,535,566 |
| Financial assets at amortised cost | 377,256 | 182,725 |
| Notes receivable | 1,120,188 | 1,066,632 |
| Accounts receivable | 9,012,340 | 9,343,700 |
| Other receivables | 579,246 | 431,585 |
| Guarantee deposits paid | 305,771 | 292,542 |
| | <u>\$ 30,506,172</u> | <u>\$ 28,852,750</u> |
| <u>Financial liabilities</u> | | |
| Financial liabilities at fair value through profit or loss | | |
| Financial liabilities held for trading | \$ 50 | \$ - |
| Financial liabilities at amortised cost | | |
| Short-term borrowings | \$ 1,857,637 | \$ 1,994,360 |
| Notes payable | 365,837 | 209,979 |
| Accounts payable | 6,912,441 | 7,607,871 |
| Other payables | 4,676,588 | 4,720,360 |
| Lease liabilities | 5,219,092 | - |
| Bonds payable (including current portion) | 4,000,000 | 4,000,000 |
| Long-term borrowings (including current portion) | 7,084,752 | 7,650,846 |
| | <u>\$ 30,116,347</u> | <u>\$ 26,183,416</u> |

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2) and Note 6(14).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from recognized assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(14).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2019

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

December 31, 2018

| Sensitivity Analysis | | | | | | |
|---|-----|---------------|------------------|---------------------|--------------------------|--------------------------------------|
| Foreign currency amount (In thousands) | | Exchange rate | Book value (NTD) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | | | |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD:NTD | USD | \$ | 124,737 | 30.7150 | \$ | 38,313 |
| EUR:USD | EUR | | 329 | 1.1460 | | \$ 116 |
| EUR:NTD | EUR | | 16,508 | 35.2000 | | 5,811 |
| USD:RMB | USD | | 39,358 | 6.8682 | | 12,089 |
| USD:SGD | USD | | 4,764 | 1.3663 | | 1,463 |
| JPY:NTD | JPY | | 943,814 | 0.2782 | | 2,626 |
| RMB:NTD | RMB | | 86,032 | 4.4720 | | 3,847 |
| USD:MYR | USD | | 3,249 | 4.1625 | | 998 |
| MYR:SGD | MYR | | 12,980 | 0.3282 | | 958 |
| AUD:NTD | AUD | | 4,331 | 21.6500 | | 938 |
| USD:AUD | USD | | 4,141 | 1.4177 | | 1,272 |
| Non-monetary items | | | | | | |
| USD:NTD | USD | | 617,947 | 30.7150 | | |
| EUR:NTD | EUR | | 122,484 | 35.2000 | | |
| SGD:NTD | SGD | | 146,919 | 22.4800 | | |
| VND:NTD | VND | | 259,989,231 | 0.0013 | | |
| MYR:NTD | MYR | | 19,661 | 7.3789 | | |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD:NTD | USD | | 54,107 | 30.7150 | | 16,619 |
| USD:RMB | USD | | 11,544 | 6.8682 | | 3,546 |
| USD:SGD | USD | | 8,310 | 1.3663 | | 2,552 |
| USD:AUD | USD | | 4,645 | 1.4177 | | 1,427 |
| EUR:NTD | EUR | | 2,126 | 35.2000 | | 748 |
| JPY:NTD | JPY | | 134,158 | 0.2782 | | 373 |

- v. Total exchange (loss) gain including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to (\$39) and \$76,925, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares and open-end funds issued by domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 5% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$120,896 and \$116,708, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$776,937 and \$617,524, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. Group policy is to maintain at least 30% of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. For the years ended December 31, 2019 and 2018, the Group's borrowings at variable rate were mainly denominated in NTD, USD and RMB.
- ii. The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. At December 31, 2019 and 2018, if interest rates at that date had been 0.25% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have been \$17,885 and \$19,290 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

- a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumption under IFRS 9, whereby the default occurs when the contract payments are past due over 90 days.
 - v. The Group classifies customers' accounts receivable, contract assets and rents receivable in accordance with credit rating of customer and credit risk on trade. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
 - vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
 - vii. The Group uses the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of notes and accounts receivable. As of December 31, 2019 and 2018 the loss rate methodology is as follows:

| December 31, 2019 | | | |
|-------------------|---------------------------|----------------------|---------------------|
| | Expected credit loss rate | Total book value | Loss allowance |
| Not past due | 0%~1% | \$ 7,564,979 | (\$ 2,182) |
| Up to 30 days | 0%~2% | 1,098,500 | (1,460) |
| 31 to 90 days | 1%~20% | 676,444 | (18,280) |
| 91 to 180 days | 1%~100% | 149,075 | (5,913) |
| Over 180 days | 1%~100% | 576,206 | (138,591) |
| | | <u>\$ 10,065,204</u> | <u>(\$ 166,426)</u> |
| December 31, 2018 | | | |
| | Expected credit loss rate | Total book value | Loss allowance |
| Not past due | 0%~1% | \$ 7,100,798 | (\$ 2,293) |
| Up to 30 days | 0%~2% | 1,477,374 | (931) |
| 31 to 90 days | 1%~20% | 962,806 | (10,253) |
| 91 to 180 days | 1%~100% | 335,818 | (68,220) |
| Over 180 days | 1%~100% | 472,970 | (101,650) |
| | | <u>\$ 10,349,766</u> | <u>(\$ 183,347)</u> |

| December 31, 2019 | | | |
|-------------------|---------------------------|----------------------|---------------------|
| | Expected credit loss rate | Total book value | Loss allowance |
| Individual | 100% | \$ 34,202 | (\$ 34,202) |
| Group A | 0%~5% | 5,558,080 | (12,037) |
| Group B | 1%~10% | 1,869,342 | (7,655) |
| Group C | 1%~20% | 1,380,494 | (13,620) |
| Group D | 1%~40% | 440,742 | (6,372) |
| Group E | 1%~100% | 782,344 | (92,540) |
| | | <u>\$ 10,065,204</u> | <u>(\$ 166,426)</u> |
| December 31, 2018 | | | |
| | Expected credit loss rate | Total book value | Loss allowance |
| Individual | 100% | \$ 32,126 | (\$ 32,126) |
| Group A | 0%~5% | 5,085,107 | (5,788) |
| Group B | 1%~10% | 1,996,658 | (5,844) |
| Group C | 1%~20% | 1,326,201 | (5,103) |
| Group D | 1%~40% | 481,759 | (3,837) |
| Group E | 1%~100% | 1,427,915 | (130,649) |
| | | <u>\$ 10,349,766</u> | <u>(\$ 183,347)</u> |

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

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|--|---|---|
| | Notes receivable and accounts receivable | Notes receivable and accounts receivable |
| At January 1 | \$ 183,347 | \$ 185,215 |
| Provision for impairment | 16,062 | 40,998 |
| Write-offs during the period | (25,315) | (19,772) |
| Effect of foreign exchange | (7,668) | 34,522 |
| Effect of decrease in consolidated entities | - | (57,616) |
| At December 31 | <u>\$ 166,426</u> | <u>\$ 183,347</u> |

(c) Liquidity risk

- Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.
- As of December 31, 2019 and 2018, the undrawn credit amounts are \$20,190,686 and \$18,253,982, respectively.
- The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

| December 31, 2018 | Up to 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 5 years | Over 5 years |
|-----------------------------|--------------|-----------------------|-----------------------|-----------------------|--------------|
| Short-term borrowings | \$ 1,994,360 | \$ - | \$ - | \$ - | \$ - |
| Notes payable | 209,979 | - | - | - | - |
| Accounts payable | 7,607,871 | - | - | - | - |
| Other payables | 4,720,360 | - | - | - | - |
| Bonds payable | - | 3,000,000 | 1,000,000 | - | - |
| Long-term borrowings | | | | | |
| (including current portion) | 5,260,106 | 1,146,265 | 1,251,118 | - | - |

iv. As of December 31, 2019 and 2018, the derivative financial liabilities which were executed by the Group were all due within one year.

(3) Fair value information

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

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

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

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

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

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

| <u>December 31, 2019</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------------|----------------|---------------------|----------------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 1,409,676 | \$ 236 | \$ 1,008,250 | \$ 2,418,162 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | <u>15,299,211</u> | <u>-</u> | <u>239,535</u> | <u>15,538,746</u> |
| | <u>\$ 16,708,887</u> | <u>\$ 236</u> | <u>\$ 1,247,785</u> | <u>\$ 17,956,908</u> |
| Liabilities | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Non-hedging derivatives | <u>\$ -</u> | <u>\$ 50</u> | <u>\$ -</u> | <u>\$ 50</u> |

| <u>December 31, 2018</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------------|----------------|---------------------|----------------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 1,364,013 | \$ - | \$ 970,145 | \$ 2,334,158 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | <u>12,041,947</u> | <u>-</u> | <u>308,529</u> | <u>12,350,476</u> |
| | <u>\$ 13,405,960</u> | <u>\$ -</u> | <u>\$ 1,278,674</u> | <u>\$ 14,684,634</u> |

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

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

| | <u>Listed shares</u> | <u>Open-end fund</u> |
|---------------------|----------------------|----------------------|
| Market quoted price | Closing price | Net asset value |

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

E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

| | Non-derivative equity | |
|---|---|---|
| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
| Beginning balance | \$ 1,278,674 | \$ 1,162,875 |
| Gains and losses recognized in profit or loss | 5,576 | 10,938 |
| Gain and loss recognized in other comprehensive income (| 15,152) | 32,530 |
| Acquired during the period | 57,284 | 80,108 |
| Sold during the period (| 73,625) | (7,777) |
| Capital deducted by returning cash (| 4,972) | - |
| Ending balance | \$ 1,247,785 | \$ 1,278,674 |

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

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement.

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

| | Fair value at December 31, 2018 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---------------------------|---------------------------------------|-----------------------------------|--|--------------------------------|--|
| Non-derivative equity: | | | | | |
| Unlisted shares | \$ 1,278,674 | Market comparable companies | Price to earnings ratio multiple | 0.99~3.46 | The higher the multiple and control premium, the higher the fair value |
| Private equity fund | | | Discount for lack of marketability | 15%~20% | The higher the discount for lack of marketability, the lower the fair value |

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

| December 31, 2019 | | | | | |
|---|--|------------------------------|------------------------|---|------------------------|
| Input | Change | Recognized in profit or loss | | Recognized in other comprehensive income | |
| | | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets Equity instrument | Discount for lack of marketability ±5% | \$ 50,413 | (\$ 50,413) | \$ 12,301 | (\$ 12,301) |
| December 31, 2018 | | | | | |
| Input | Change | Recognized in profit or loss | | Recognized in other comprehensive income | |
| | | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets Equity instrument | Discount for lack of marketability ±5% | \$ - | \$ - | \$ 63,948 | (\$ 63,948) |

13. Supplementary Disclosures

(1) Significant transactions information

- Loans to others: Please refer to table 1.
- Provision of endorsements and guarantees to others: Please refer to table 2.
- Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative financial instruments undertaken during the reporting periods ended: Please refer to Notes 6(2) and 6(14).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third party, transactions with the investee companies in Mainland Area: Please refer to table 9.

14. Segment Information

(1) General information

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

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

(2) Segment performance

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

(3) Financial information by industry

The segment information of the reportable segments provided to the chief operating decision-maker for the years ended December 31, 2019 and 2018 is as follows:

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

For the year ended December 31, 2018

| | Heavy industrial products division | Home appliance division | Others | Adjustment and elimination | Total |
|--|---------------------------------------|----------------------------|---------------|-------------------------------|---------------|
| <u>Operating revenues</u> | | | | | |
| Operating revenues from external customers | \$ 33,448,989 | \$ 6,298,530 | \$ 10,357,408 | \$ - | \$ 50,104,927 |
| Operating revenues from internal segments | 19,091,026 | 2,963,712 | 915,579 | (22,970,317) | - |
| Total operating revenues | \$ 52,540,015 | \$ 9,262,242 | \$ 11,272,987 | \$ 22,970,317 | \$ 50,104,927 |
| Segment profits and losses | \$ 3,009,171 | \$ 219,752 | \$ 291,563 | \$ - | \$ 3,520,486 |
| Segment profits and losses including: Depreciation and amortization | \$ 895,000 | \$ 171,962 | \$ 461,578 | \$ - | \$ 1,528,540 |
| Not included in segment profit, but regularly provided to the chief operating decision-maker: | | | | | |
| <u>Segment assets</u> | | | | | |
| Identifiable assets | \$ 38,207,454 | \$ 3,716,368 | \$ 19,024,648 | \$ 6,828,212 | \$ 54,120,258 |
| Capital expenditures | \$ 734,090 | \$ 184,745 | \$ 316,533 | \$ - | \$ 1,235,368 |
| <u>Segment liabilities</u> | \$ 17,252,838 | \$ 2,150,598 | \$ 4,840,303 | \$ 7,343,503 | \$ 16,900,236 |

The adoption of IFRS 16, 'Leases', had the following impact on the segment information in 2019.

| | Heavy industrial products division | Home appliance division | Others | Total |
|--------------------------------|---------------------------------------|----------------------------|--------------|--------------|
| Depreciation expense increased | \$ 261,215 | \$ 14,945 | \$ 235,053 | \$ 511,213 |
| Segment assets increased | \$ 1,233,225 | \$ 14,931 | \$ 3,338,637 | \$ 4,586,793 |
| Segment liabilities increased | \$ 1,353,623 | \$ 18,191 | \$ 3,847,278 | \$ 5,219,092 |

(4) Reconciliation for segment profit (loss)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2019 and 2018 is provided as follows:

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|
| Adjusted operating income of reportable segments | \$ 3,062,706 | \$ 3,228,923 |
| Adjusted operating income of other operating segments | 473,739 | 291,563 |
| Interest income | 316,546 | 219,986 |
| Gains (losses) on financial instruments | 93,193 (| 107,381) |
| Financial cost | (263,848) (| 222,540) |
| Associates' and joint ventures' profit and loss accounted for under the equity method | 30,410 | 114,143 |
| Losses on disposals of property, plant and equipment | (22,635) (| 29,086) |
| Others | 749,343 | 790,680 |
| Income before income tax | \$ 4,439,454 | \$ 4,286,288 |

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

Equity investments (classified as bond investments without active markets, investments accounted for under equity method or financial assets at fair value through profit or loss) held by the Group are not considered to be segment assets but rather are managed by the financial function.

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

| | December 31, 2019 | December 31, 2018 |
|--|----------------------|----------------------|
| Assets of reportable segments | \$ 34,714,946 | \$ 38,358,009 |
| Assets of other operating segments | 21,689,790 | 15,762,249 |
| Unamortized items: | | |
| Deferred income tax assets | 1,346,817 | 1,250,743 |
| Investments accounted for using equity method | 3,897,316 | 4,207,360 |
| Financial assets at fair value through profit or loss | 2,418,162 | 2,334,158 |
| Financial asset measured at fair value through other comprehensive | 15,538,746 | 21,350,476 |
| General assets of the Group | 19,488,627 | 8,718,291 |
| Total assets | <u>\$ 99,094,404</u> | <u>\$ 91,981,286</u> |

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

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

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

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|--|---|---|
| Liabilities of reportable segments | \$ 12,605,726 | \$ 14,599,469 |
| Liabilities of other operating segments | 8,856,626 | 2,300,767 |
| Unamortized items: | | |
| Financial liabilities at fair value through profit or loss | 50 | - |
| Deferred income tax liabilities | 2,400,752 | 2,254,076 |
| Current income tax liabilities | 584,071 | 690,853 |
| Short-term borrowings (including current portion) | 2,268,435 | 2,898,852 |
| Corporate bonds payable (including current portion) | 4,000,000 | 4,000,000 |
| Long-term borrowings | 6,673,954 | 6,746,354 |
| Total liabilities | <u>\$ 37,389,614</u> | <u>\$ 33,490,371</u> |

(5) Information on products and services

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

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|-------------------------------|---|---|
| Sales revenue | \$ 36,097,398 | \$ 38,492,093 |
| Construction revenues | 3,198,620 | 3,348,998 |
| Service revenue | 7,642,276 | 7,520,089 |
| Revenue from disposal of land | 25,840 | - |
| Others | 945,224 | 743,747 |
| | <u>\$ 47,909,358</u> | <u>\$ 50,104,927</u> |

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows (revenue recognition is based on the operating locations where revenue is earned):

| | For the year ended December 31, 2019 | | For the year ended December 31, 2018 | |
|---------|--------------------------------------|----------------------|--------------------------------------|----------------------|
| | Revenue | Non-current assets | Revenue | Non-current assets |
| Taiwan | \$ 24,221,190 | \$ 20,166,943 | \$ 26,585,159 | \$ 15,243,013 |
| America | 9,020,217 | 695,706 | 7,992,870 | 623,061 |
| China | 5,218,672 | 3,250,154 | 5,300,514 | 2,828,171 |
| Others | 9,449,279 | 2,912,764 | 10,226,384 | 1,753,932 |
| | <u>\$ 47,909,358</u> | <u>\$ 27,025,567</u> | <u>\$ 50,104,927</u> | <u>\$ 20,448,177</u> |

(7) Major customer information

No single customer accounts for more than 10% of the consolidated operating revenue for the years ended December 31, 2019 and 2018.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Creditor | Borrower | General ledger account | Related party | Maximum outstanding balance during the year ended | | Balance at December 31, 2019 (Note 8) | Actual amount drawn down | Interest rate (%) | Nature of loans | Amount of transactions with the borrower | Reason for short-term financing capital | Allowance for doubtful accounts | Collateral | | | Limit on loans granted to a single party | Ceiling on total loans granted | Footnote |
|--------------------|-------------------------------------|--|------------------------------|------------------|---|----------------------|--|--------------------------------|-------------------------|-------------------------|---|--|--|------------|-------|--------------|---|--------------------------------------|----------|
| | | | | | December 31, 2019 | December 31, 2019 | | | | | | | | Item | Value | - | | | |
| | | | | | Yes | \$ | | | | | | | | | | | | | |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | Xiamen An-Tai | Other receivables | Yes | \$ 94,800 | \$ 77,948 | \$ 26,982 | 2.30 | 2.30 | Short-term financing | \$ - | For operating capital | \$ - | - | - | \$ 1,701,195 | \$ 5,670,650 | Note 2 | |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | QingDao Teco | " | " | 137,492 | 128,590 | 128,590 | 3.50 | 3.50 | Short-term financing | - | For operating capital | - | - | - | 1,701,195 | 5,670,650 | Note 2 | |
| 1 | U.V.G. | Teco Netherlands | " | " | 247,660 | 235,130 | 235,130 | 0.50 | 0.50 | Short-term financing | - | For operating capital | - | - | - | 457,909 | 763,182 | Note 3 | |
| 2 | Teco Westinghouse | TWMM | " | " | 69,520 | 65,956 | - | 3.20~3.93 | 3.20~3.93 | Short-term financing | - | For operating capital | - | - | - | 815,963 | 1,631,927 | Note 4 | |
| 2 | Teco Westinghouse | TECO ELECTRIC & MACHINERY CO., LTD. | " | " | 316,000 | 299,800 | 299,800 | 1.10~1.96 | 1.10~1.96 | Short-term financing | - | For operating capital | - | - | - | 815,963 | 1,631,927 | Note 4 | |
| 3 | Tong-An Assets | TECO ELECTRIC & MACHINERY CO., LTD. | " | " | 200,000 | 200,000 | 200,000 | 1.05 | 1.05 | Short-term financing | - | For operating capital | - | - | - | 524,058 | 524,058 | Note 5 | |
| 4 | Jiangxi Teco | QingDao Teco | " | " | 57,538 | 53,812 | - | 3.50 | 3.50 | Short-term financing | - | For operating capital | - | - | - | 74,231 | 148,463 | Note 6 | |
| 5 | Century Development | Centurytech Construction and Management Corp., | " | " | 120,000 | 120,000 | 100,000 | 1.5263 | 1.5263 | Short-term financing | - | For operating capital | - | - | - | 123,661 | 412,202 | Note 7 | |

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

(1) The Company is '0'.

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

Note 2: In accordance with the company's policy, limit on total loans shall not exceed 10% of the Company's net assets based on the latest financial statements (December 31, 2019), and limit on loans to a single party shall not exceed 3% of the Company's net assets based on the latest financial statements (December 31, 2019).

Note 3: In accordance with U.V.G.'s policy, limit on total loans shall not exceed 10% of U.V.G.'s net assets based on the latest financial statements (December 31, 2019), and limit on loans to a single party shall not exceed 6% of U.V.G.'s net assets based on the latest financial statements (December 31, 2019).

Note 4: In accordance with Teco Westinghouse's policy, limit on total loans shall not exceed 20% of Teco Westinghouse's net assets based on the latest financial statements (December 31, 2019), and limit on loans to a single party shall not 10% of Teco Westinghouse's net assets based on the latest financial statements (December 31, 2019).

Note 5: In accordance with Tong-An Assets' policy, limit on total loans shall not exceed 10% of Tong-An Assets' net assets based on the latest audited financial statement (December 31, 2019), and limit on loans to a single party shall not exceed 10% of Tong-An Assets' net assets based on the latest audited financial statement (December 31, 2019).

Note 6: In accordance with Jiangxi Teco's policy, limit on total loans shall not exceed 10% of Jiangxi Teco's net assets based on the latest financial statements (December 31, 2019), and limit on loans to a single party shall not exceed 5% of Jiangxi Teco's net assets based on the latest financial statements (December 31, 2019).

Note 7: In accordance with Century Development' policy, limit on total loans shall not exceed 10% of Century Development' net assets based on the latest audited financial statement (December 31, 2019), and limit on loans to a single party shall not exceed 3% of Century Development' net assets based on the latest audited financial statement (December 31, 2019).

Note 8: The credit line approved by the Board of Directors.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others
For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Endorser/ guarantor | Party being endorsed/guaranteed | Relationship with the endorser/ guarantor (Note 2) | Limit on endorsements/ guarantees provided for a single party (Note 3) | Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 | Outstanding endorsement/ guarantee amount at December 31, 2019 | Actual amount drawn down | Amount of endorsements / guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%) | Ceiling on total amount of endorsements/ guarantees provided | Provision of | | | Footnote |
|--------------------|--|--|--|---|---|---|--------------------------------|--|---|--|--|--|---|----------|
| | | | | | | | | | | | endorsements/ guarantees by parent company to subsidiary | endorsements/ guarantees by subsidiary to parent company | endorsements/ guarantees to the party in Mainland China | |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | Teco International | (2) | \$ 11,341,301 | \$ 100,000 | \$ - | \$ - | \$ - | - | \$ 34,023,902 | Y | N | N | Note 3 |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | TECO Smart Technologies Co., Ltd. | (2) | 11,341,301 | 100,000 | - | - | - | - | 34,023,902 | Y | N | N | " |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | Motovario | (2) | 11,341,301 | 2,085,293 | 1,542,453 | 1,542,453 | - | 2.72 | 34,023,902 | Y | N | N | " |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | Others | (2), (6) | 11,341,301 | 77,663 | 65,613 | 65,613 | - | 0.12 | 34,023,902 | Y | N | N | " |
| 1 | Teco Westinghouse | TWMM | (4) | 815,963 | 24,551 | 9,978 | 9,978 | - | 0.12 | 1,631,927 | Y | N | N | Note 4 |
| 2 | Motovario S.p.A. | TECNOFIB SRL | (1) | 844,872 | 501 | 475 | 475 | - | 0.01 | 2,534,616 | N | N | N | Note 5 |
| 3 | Yatec Engineering Corporation | Yatec Engineering (VN) Company Limited | (4) | 90,269 | 32,321 | - | - | - | - | 180,538 | Y | N | N | Note 6 |
| 4 | Century Development | CDC DEVELOPMENT INDIA PRIVATE LIMITED | (6) | 412,202 | 211,291 | 211,291 | - | - | 5.13 | 824,404 | Y | N | N | Note 7 |
| 5 | Tong-An Assets | " | (6) | 524,058 | 163,260 | 150,934 | - | - | 2.88 | 1,048,116 | N | N | N | Note 8 |
| 6 | Tong-an Investment | " | (6) | 150,934 | 162,648 | 150,934 | - | - | 1.48 | 200,000 | N | N | N | Note 9 |

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

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

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

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: In accordance with the Company's policy, the total guarantee amount shall not exceed 60% of Company's net assets based on the latest financial statements (December 31, 2019), and the guarantee to a single party shall not exceed 20% of the Company's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 4: In accordance with the Teco Westinghouse's policy, the total guarantee amount shall not exceed 20% of Teco Westinghouse's net assets based on the latest financial statements (December 31, 2019), and the guarantee to a single party shall not exceed 10% of Teco Westinghouse's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 5: In accordance with Motovario S.p.A.'s policy, the total guarantee amount shall not exceed 60% of Motovario S.p.A.'s net assets based on the latest financial statements (December 31, 2019), and the guarantee to a single party shall not exceed 20% of Motovario S.p.A.'s net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 6: In accordance with Yatec Engineering Corporation's policy, the total guarantee amount shall not exceed 80% of Yatec Engineering Corporation's net assets based on the latest financial statements (December 31, 2019), and the guarantee to a single party shall not exceed 40% of Yatec Engineering Corporation's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 7: In accordance with Century Development's policy, the total guarantee amount shall not exceed 20% of Century Development's net assets based on the latest financial statements (December 31, 2019), and the guarantee to a single party shall not exceed 10% of Century Development's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 8: In accordance with Tong-An Asset's policy, the total guarantee amount shall not exceed 20% of Tong-An Asset's net assets based on the latest financial statements (December 31, 2019), and the guarantee to a single party shall not exceed 10% of Tong-An Asset's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 9: In accordance with Tong-An Investment Co., Ltd.'s policy, the total guarantee amount shall not exceed NT\$200 million, and the guarantee to a single party shall not exceed NT\$50 million. If due to special needs, the guarantee amount exceeds the limit, stockholders' resolution is required.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

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

December 31, 2019

Table 3

Expressed in thousands of NT\$
(Except as otherwise indicated)

| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | As of December 31, 2019 | | | | Footnote |
|-------------------------------------|-----------------------|--|------------------------|-------------------------|--------------|---------------|--------------|----------|
| | | | | Number of shares | Book value | Ownership (%) | Fair value | |
| TECO ELECTRIC & MACHINERY CO., LTD. | Stock 1 | The Company is a director of the investee | Note 1 | 190,061 | \$ 7,298,326 | 3.38 | \$ 7,298,326 | |
| | Stock 2 | None | " | 9,610 | 80,053 | 0.10 | 80,053 | |
| | Stock 3, etc. | The Company is a director of the investee | " | 5,098 | 81,207 | - | 81,207 | |
| | Stock 4 | None | Note 4 | 10,084 | 165,887 | 0.09 | 165,887 | |
| | Stock 5 | The Company is a director of the investee | " | 11,527 | 344,670 | 1.96 | 344,670 | |
| | Stock 6 | None | " | 47,839 | 373,622 | 1.76 | 373,622 | |
| | Stock 7 | " | " | 2,710 | 20,406 | 0.07 | 20,406 | |
| | Stock 8 | The Company is a director of the investee | " | 32,980 | 308,553 | 10.99 | 308,553 | |
| | Stock 9 | None | " | 7,500 | 314,775 | 5.00 | 314,775 | |
| | Stock 10, etc. | " | " | 22,440 | 213,557 | - | 213,557 | |
| | Fund 1, etc. | " | " | - | 224,674 | - | 224,674 | |
| | Stock 11, etc. | " | Note 1 | 16,376 | 345,676 | - | 345,676 | |
| | Stock 12, etc. | " | Note 3 | 3,714 | 193,658 | - | 193,658 | |
| Tong-an Investment | Stock 10, etc. | " | Note 2 | 415 | 6,358 | - | 6,358 | |
| | Stock 13 | An investee company accounted for under the equity method by the Company | Note 1 | 19,540 | 511,949 | 0.99 | 511,949 | |
| Jie-Zheng Property | Stock 11 | Related party in substance | " | 9,197 | 125,532 | 8.17 | 125,532 | |
| | Stock 14 | None | " | 8,692 | 626,690 | 0.27 | 626,690 | |
| | Stock 15 | " | " | 1,285 | 143,920 | 0.04 | 143,920 | |
| | Stock 16 | The Company is a director of the investee | " | 14,050 | 4,074,500 | 10.03 | 4,074,500 | |
| | Stock 17, etc. | " | " | 31,358 | 385,868 | - | 385,868 | |
| | Stock 26 | " | Note 2 | 324 | 8,514 | - | 8,514 | |
| | Stock 18, etc. | " | Note 3 | 12,883 | 750,478 | - | 750,478 | |
| | Stock 16 | " | Note 4 | 1,000 | 290,000 | - | 290,000 | |
| | Fund 2, etc. | " | " | - | 61,124 | - | 61,124 | |
| | Stock 19, etc. | " | Note 1 | 118 | 5,303 | - | 5,303 | |
| | Stock 13 | An investee company accounted for under the equity method by the Company | " | 2,826 | 74,035 | 0.14 | 74,035 | |
| | Stock 11 | Related party in substance | " | 1,270 | 17,337 | 1.13 | 17,337 | |
| | Stock 20 | " | " | 2,756 | 212,187 | 8.51 | 212,187 | |
| Teco Electro | Stock 21 | None | " | 195 | 10,529 | - | 10,529 | |
| | Stock 18, etc. | " | Note 3 | 1,484 | 85,669 | - | 85,669 | |
| | Fund 4, etc. | " | Note 2 | - | 35,862 | - | 35,862 | |
| | Stock 11 | None | Note 1 | 200 | 2,733 | 0.18 | 2,733 | |
| | Stock 22, etc. | Related party in substance | Note 1 | 3,269 | 31,757 | - | 31,757 | |
| | Stock 16, etc. | None | " | 304 | 86,622 | - | 86,622 | |
| | Stock 16 | " | " | 459 | 133,110 | 0.32 | 133,110 | |
| Information Technology Total | | | | | | | | |
| | | | | | | | | |
| Teco Singapore | | | | | | | | |
| | | | | | | | | |
| Taiwan Pelican Express | | | | | | | | |
| | | | | | | | | |

As of December 31, 2019

| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | Number of shares | Book value | Ownership (%) | Fair value | Footnote |
|---------------------|-----------------------|--|------------------------|------------------|------------|---------------|------------|----------|
| Teco Australia | Stock 16 | None | Note 1 | 460 | \$ 133,421 | 0.33 | \$ 133,421 | |
| Sankyo | Stock 23 | " | " | 68 | 6,494 | - | 6,494 | |
| Tecom | Stock 2 | " | " | 2,854 | 18,207 | - | 18,207 | |
| | Stock 1 | The Company is a corporate director of the investee | " | 16,222 | 622,928 | 0.29 | 622,928 | |
| Tecom International | Stock 24 | None | Note 3 | 3,354 | 35,886 | 1.69 | 35,886 | |
| | Stock 25, etc. | " | Note 1 | 758 | 680 | - | 680 | |
| | Fund 5, etc. | " | Note 2 | 1,487 | 14,878 | - | 14,878 | |
| Top-Tower | Stock 13 | An investee company accounted for under the equity method by the Company | Note 3 | 77 | 2,023 | - | 2,023 | |
| | Stock 27, etc. | None | " | 3 | 38 | - | 38 | |

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

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

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

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

| Purchaser/seller | Counterparty | Relationship with the counterparty | Transaction | | | Differences in transaction terms compared to third party transactions | | | | | Notes/accounts receivable (payable) | | | Footnote |
|-------------------------------------|--|--|-------------------|-----------|---------------------------------------|---|------------|-------------|---------|---|-------------------------------------|---------|-----|----------|
| | | | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | | | | |
| | | | | | | | | | | | Purchases | \$ | 14% | |
| TECO ELECTRIC & MACHINERY CO., LTD. | Tesen | An investee accounted for under the equity method | | 2,163,041 | 14% | | | | | | | 38,057 | | |
| | Taian (Subic) | " | " | 168,066 | 1% | " | " | " | " | (| 58,919 | (2%) | | |
| | Kuen Ling | " | " | 141,683 | 1% | " | " | " | " | (| 95,181 | (3%) | | |
| | Tai-An Wuxi | An indirect investee accounted for under the equity method | " | 473,862 | 3% | " | " | " | " | (| 100,190 | (3%) | | |
| | Wuxi Teco | " | " | 761,885 | 5% | " | " | " | " | (| 363,350 | (10%) | | |
| | Qing Dao Teco | " | " | 483,702 | 3% | " | " | " | " | (| 164,217 | (4%) | | |
| | Teco Industrial (Malaysia) | " | " | 339,320 | 2% | " | " | " | " | (| 1,961 | - | | |
| | Sdn. Bhd. | " | " | 333,367 | 2% | " | " | " | " | (| 109,290 | (3%) | | |
| | Teco (Vietnam) Electric & Machinery Company Ltd. | | | | | | | | | | | | | |
| | Tong Tai | An investee accounted for under the equity method | Sales | (| 949,340 | (5%) | 90 days | " | " | " | | 438,893 | 13% | Note 2 |
| | Tong Tai Jung | " | " | (| 733,503 | (4%) | " | " | " | " | - | - | - | Note 2 |
| | Taisan | " | " | (| 174,657 | (1%) | " | " | " | " | 15,994 | - | | |
| | E-Joy International | " | " | (| 197,730 | (1%) | " | " | " | " | 30,306 | 1% | | |
| | Teco Singapore | " | " | (| 601,573 | (3%) | " | " | " | " | 52,720 | 2% | | |
| | Teco Westinghouse | An indirect investee accounted for under the equity method | " | (| 2,867,398 | (15%) | " | " | " | " | 260,460 | 8% | | |
| | Teco Westinghouse Canada | " | " | (| 874,249 | (5%) | " | " | " | " | 61,573 | 2% | | |
| Teco Australia | " | " | (| 1,104,309 | (6%) | " | " | " | " | 214,493 | 7% | | | |
| Top-Tower | " | " | (| 310,149 | (2%) | " | " | " | " | 75,447 | 2% | | | |
| Motovario | " | " | (| 182,297 | (1%) | " | " | " | " | 47,155 | 1% | | | |
| Sankyo | " | " | (| 189,073 | (1%) | " | " | " | " | 74,515 | 2% | | | |
| Teco Nether lands | " | " | (| 126,872 | (1%) | " | " | " | " | 74,266 | 2% | | | |

Note 1: Comparable with other types of transactions, trading conditions are handled in accordance with the agreement of the conditions.

Note 2: Tong Tai acquired Tong Tai Jung and set the effective date of the merger on December 31, 2019. Tong Tai was the surviving company while Tong Tai Jung was the dissolved company under the merger.

Table 5

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2019

| Expressed in thousands of NTD (Except as otherwise indicated) | | | | | | | |
|--|--|---|------------------------------------|---------------------|---------|--|------------------------------------|
| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2019 | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
| | | | | Turnover rate | Amount | | |
| TECO ELECTRIC & MACHINERY CO., LTD. | Tong Dai (Note) | An investee accounted for under the equity method | \$ 439,837 | 4.09 | \$ - | - | \$ 162,612 |
| " | Teco Westinghouse | An indirect investee accounted for under the equity method | 260,679 | 9.01 | - | - | 31,284 |
| " | QingDao Teco | " | 273,111 | 0.02 | - | - | 188 |
| " | Teco Australia | " | 216,899 | 5.16 | - | - | 111,056 |
| " | Sankyo | " | 258,914 | 0.79 | 173,113 | In the process of collection | 16,455 |
| " | Teco Netherlands | " | 367,266 | 0.37 | 247,337 | " | 19,654 |
| " | Motovario S. P. A. | " | 110,953 | 1.28 | - | - | 16,224 |
| Tong-An-Assets | TECO ELECTRIC & MACHINERY CO., LTD. | An investee accounted for under the equity method | 200,000 | - | - | - | - |
| Teco Westinghouse | " | An indirect investee accounted for under the equity method | 299,800 | - | - | - | - |
| Wuxi Teco | " | " | 363,350 | 1.98 | - | - | 73,758 |
| Tai-An Wuxi | " | " | 100,190 | 6.91 | - | - | 77,503 |
| Qing Dao Teco | " | " | 164,217 | 4.43 | - | - | 131,740 |
| Electric & Machinery Company Ltd. U.V.G. | " | " | 109,290 | 3.61 | - | - | - |
| | Teco Netherlands | " | 235,130 | - | - | - | - |
| Century Development | Centurytech Construction and Management Corp. | " | 100,000 | - | - | - | Total amount was \$17,814 |

Note: Tong Tai acquired Tong Tai Jung and set the effective date of the merger on December 31, 2019. Tong Tai was the surviving company while Tong Tai Jung was the dissolved company under the merger.

Table 6

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the year ended December 31, 2019

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | Expressed in thousands of NTD (Except as otherwise indicated) |
|--------------------|-------------------------------------|---|--------------------------|---|------------|--|--|
| | | | | General ledger account | Amount | Transaction terms | |
| | TECO ELECTRIC & MACHINERY CO., LTD. | Tong Dai (Note 4) | (1) | Notes receivable, accounts receivable and other receivables | \$ 439,837 | Because there is no transaction in same type which can be compared with, it is based on the condition and the period specified in the agreement. | - |
| 0 | " | Teco Westinghouse | " | Accounts receivable and other | 260,679 | " | - |
| 0 | " | QingDao Teco | " | " | 273,111 | " | - |
| 0 | " | Teco Australia | " | " | 216,899 | " | - |
| 0 | " | Teco Netherlands | " | " | 367,266 | " | - |
| 0 | " | Sankyo | " | " | 258,914 | " | - |
| 0 | " | Motovario S. P. A. | " | " | 110,953 | " | - |
| 1 | Wuxi Teco | TECO ELECTRIC & MACHINERY CO., LTD. | (2) | Accounts receivable | 363,350 | " | - |
| 2 | Tai-An Wuxi | " | " | " | 100,190 | " | - |
| 3 | QingDao Teco | " | " | " | 164,217 | " | - |
| 4 | Teco Vietnam | " | " | " | 109,290 | " | - |
| 5 | Teco Westinghouse | " | " | Other receivables | 299,800 | " | - |
| 6 | Tong-An Assets | Centurytech Construction and Management Corp. | (3) | " | 100,000 | " | - |
| 7 | Century Development | " | " | " | 100,000 | " | - |
| 8 | U.V.G | Teco Netherlands | " | " | 235,130 | " | - |
| 0 | TECO ELECTRIC & MACHINERY CO., LTD. | Teco Westinghouse | (1) | Sales | 2,867,398 | " | 7% |
| 0 | " | Teco Westinghouse Canada | " | " | 874,249 | " | 2% |
| 0 | " | Teco Singapore | " | " | 601,573 | " | 2% |
| 0 | " | Tong Dai (Note 4) | " | " | 949,340 | " | 2% |
| 0 | " | Tong Tai Jung | " | " | 733,503 | " | 1% |
| 0 | " | Teco Australia | " | " | 1,104,309 | " | 2% |
| 0 | " | Top-Tower | " | " | 310,149 | " | 1% |
| 0 | " | Sankyo | " | " | 189,073 | " | 1% |
| 0 | " | E-Joy International | " | " | 197,730 | " | 1% |
| 0 | " | Motovario | " | " | 182,297 | " | 1% |
| 0 | " | Teco Netherlands | " | " | 126,872 | " | 1% |

Table 6

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the year ended December 31, 2019

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | Percentage of consolidated total operating revenues or total assets (Note 3) |
|--------------------|----------------------------|--|--------------------------|------------------------|--------------|---|--|
| | | | | General ledger account | Amount | Transaction terms | |
| 9 | Tesen | TECO ELECTRIC & MACHINERY CO., LTD. | (2) | Sales | \$ 2,163,041 | Because there is no transaction in same type which can be compared with, it is based on the condition and the period specified in the agreement. | 5% |
| 2 | Tai-An Wuxi | " | " | " | 473,862 | " | 1% |
| 1 | Wuxi Teco | " | " | " | 761,885 | " | 2% |
| 3 | QingDao Teco | " | " | " | 483,702 | " | 1% |
| 10 | Teco Industrial (Malaysia) | " | " | " | 339,320 | " | 1% |
| 8 | Teco Vietnam | " | " | " | 333,367 | " | 1% |
| 9 | Taian (Subic) | " | " | " | 168,066 | " | 1% |

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

(1) Parent company is '0'.

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

Note 2: Relationship with the transaction company:

(1) The parent company to the subsidiary.

(2) The subsidiary to the parent company.

(3) The subsidiary to another subsidiary.

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

Note 4: Tong Tai acquired Tong Tai Jung and set the effective date of the merger on December 31, 2019. Tong Tai was the surviving company while Tong Tai Jung was the dissolved company under the merger.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2019 | | Net profit (loss) of the investee for the year ended December 31, 2019 | | Investment income recognized by the Company for the year ended December 31, 2019 | | Footnote |
|-------------------------------------|-------------------------------------|----------------|---|---------------------------------|---------------------------------|-------------------------------------|---------------|--|-------------------|--|-------------------|----------|
| | | | | Balance as at December 31, 2019 | Balance as at December 31, 2018 | Number of shares | Ownership (%) | Book value | December 31, 2019 | December 31, 2019 | December 31, 2019 | |
| | | | | \$ | \$ | | | \$ | \$ | \$ | \$ | |
| TECO ELECTRIC & MACHINERY CO., LTD. | Tung Pei | Taiwan | Manufacturing of bearings | 12,293 | 12,293 | 39,145,044 | 31.14 | 2,086,821 | 283,834 | 90,544 | None | |
| | Tecom | Taiwan | Manufacturing of key telephone system and nonkey service unit telephone system | 431,109 | 431,109 | 200,301,025 | 63.52 | 215,862 | (115,913) | (73,163) | None | |
| | Teco International | Taiwan | Investment holdings, investments in securities and construction of commercial buildings | 100,013 | 100,013 | 67,537,429 | 100 | 1,135,110 | 30,281 | 29,677 | None | |
| | Teco Holdings and its subsidiaries | U.S.A | Manufacturing and distribution of motors and generators, and investment and trading in USA | 726,428 | 726,428 | 1,680 | 100 | 10,515,754 | 816,321 | 816,275 | None | |
| | Teco Singapore and its subsidiaries | Singapore | Distribution of the Company's motor products in Singapore | 112,985 | 112,985 | 7,200,000 | 90 | 3,362,698 | 137,363 | 123,627 | None | |
| | Tong-An | Taiwan | Investment holdings | 2,490,000 | 2,490,000 | 495,724,243 | 99.63 | 9,679,419 | 365,180 | 363,774 | None | |
| | Teco Electro | Taiwan | Manufacturing of Stepping motors | 82,335 | 128,496 | 10,770,864 | 62.57 | 181,622 | 2,962 | 2,084 | None | |
| | UVG and its subsidiaries | Cayman Islands | Manufacturing and distribution of the Company's motor products and home appliances, and investment holdings | 8,505,434 | 8,505,434 | 195,416,844 | 100 | 7,617,629 | 341,678 | 328,009 | None | |
| | ITTS | Taiwan | E-business service, mailing and data management | 116,346 | 121,232 | 11,467,248 | 45.11 | 218,860 | 60,398 | 28,291 | None | |
| | Tesen | Taiwan | Manufacturing and sales of home appliance | 200,000 | 200,000 | 20,000,000 | 100 | 214,427 | 15,173 | 15,073 | None | |

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2019 | | Net profit (loss) of the investee for the year ended December 31, | | Investment income recognized by the Company for the year ended December 31, 2019 | Footnote |
|--------------------------------------|---|------------------------------------|---|---------------------------------|---------------------------------|-------------------------------------|---------------|---|--------------------|--|----------|
| | | | | Balance as at December 31, 2019 | Balance as at December 31, 2018 | Number of shares | Ownership (%) | Book value | 2019 | | |
| TECO ELECTRIC & MACHINERY CO., LTD. | Lien Chang | Taiwan | Manufacturing of color flybacks transformers, mono flyback transformers and mono deflection yokes | \$ 117,744 | \$ 117,744 | 37,542,159 | 33.84 | \$ 445,494 | \$ 8,872 | \$ 3,003 | None |
| | Tong Dai | Taiwan | Distribution of the Company's motor products in Taichung | 22,444 | 22,444 | 6,615,234 | 83.53 | 349,777 | 51,132 | 47,362 | Note |
| | Teco Vietnam | Vietnam | Manufacturing and sales of motors | 352,252 | 352,252 | 29,013,668 | 100 | 315,799 | (22,263) | (22,187) | None |
| | Yatec | Taiwan | Development and maintenance of various electric appliances | 92,389 | 92,389 | 7,799,996 | 64.95 | 146,537 | 23,435 | 15,242 | None |
| | Tong-An Assets | Taiwan | Real estate business | 2,111,889 | 2,111,889 | 388,423,711 | 100 | 5,240,578 | 91,589 | 91,334 | None |
| | Taian Subic Micropac (BVI) and its subsidiaries | Philippines British Virgin Islands | Manufacturing and sales of switches Manufacturing and distribution of optical fiber apparatus and international trading | 165,819 454,923 | 165,819 454,923 | 17,131,155 14,883,591 | 76.70 100 | 173,074 1,419,907 | 12,419 18,865 | 9,603 18,963 | None |
| | Century Development | Taiwan | Development and management of industrial park | 951,141 | 951,141 | 100,592,884 | 28.67 | 1,301,294 | 217,650 | 55,348 | None |
| | An-Tai Pelican | Taiwan | Investment holdings | 150,000 | 150,000 | 32,653,581 | 100 | 513,021 | 2,381 | 1,596 | None |
| | | Taiwan | Logistics and distribution services | 255,116 | 255,116 | 24,121,700 | 25.27 | 436,931 | 161,608 | 40,834 | None |
| | Kuen Ling | Taiwan | Manufacturing, installation, repair, domestic and export sales and leasing of condenser, water cooling, watercooled chiller and freezer | 186,605 | 230,541 | 11,131,642 | 14.62 | 286,363 | 161,616 | 24,077 | None |
| Eagle Holding Co. TECO MOTOR B.V. | Taian-Eiacom Technology Co., Ltd. | Taiwan | Bus bar and manufacturing of its components | 70,330 | 70,330 | 7,033,000 | 84.73 | 141,450 | 29,878 | 25,317 | None |
| | Eagle Holding Co. | Cayman Islands | Investment holdings | 3,691,723 | 3,691,723 | 1 | 100 | 4,224,360 | 175,332 | 175,332 | None |
| | TECO MOTOR B.V. Motovario S.p.A | Netherlands Italy | Investment holdings Production and sale of gear reducers and motors | 3,691,723 3,989,850 | 3,691,723 3,989,850 | 1 18,010,000 | 100 100 | 4,224,360 4,224,360 | 175,332 175,332 | 175,332 175,332 | None |
| Tung Pei | Tung Pei (SAMOA) Industrial Co., Ltd. | Samoa | Investment holdings and establishment of overseas distribution channel | 646,343 | 646,343 | 23,031,065 | 100 | 1,516,092 | 64,659 | 64,659 | None |

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2019 | | Net profit (loss) of the investee for the year ended December 31, | | Investment income recognized by the Company for the year ended December 31, | | Footnote |
|---------------------|---|------------------------|--|---------------------------------|---------------------------------|-------------------------------------|---------------|---|-----------|---|---------|----------|
| | | | | Balance as at December 31, 2019 | Balance as at December 31, 2018 | Number of shares | Ownership (%) | Book value | 2019 | 2019 | 2019 | |
| | | | | \$ | \$ | 12,000,000 | 100 | \$ | 23,137 | \$ | 23,137 | None |
| Tecom | Tecom International | Taiwan | Investment holdings | | 100,000 | | | | | | | |
| | Baycom | Taiwan | Manufacturing and sales of optical telecom products | 359,656 | 359,656 | 9,619,819 | 28.64 | 124,131 | 8,639 | | 2,681 | None |
| Tong-An Investment | Creative Sensor | Taiwan | Manufacturing and sales of | 87,464 | 87,464 | 7,913,279 | 6.23 | 205,382 | 183,626 | | 11,437 | None |
| | Century Development | Taiwan | Development and management of industrial park | 420,646 | 420,646 | 46,235,042 | 13.17 | 637,463 | 217,650 | | 28,677 | None |
| | Pelican | Taiwan | Logistics and distribution services | 54,874 | 54,874 | 6,474,468 | 6.78 | 117,276 | 161,608 | | 10,960 | None |
| | Century Biotech Development Corp. | Taiwan | Development and construction of real estate | 200,000 | 200,000 | 20,000,000 | 28.57 | 187,724 | (17,683) | (| 5,052) | None |
| Lien Chang | Century Real Estate (International) Pte. Ltd. | Singapore | Investing in other areas | 274,856 | 274,856 | 9,120,000 | 30 | 242,816 | (26,763) | (| 8,029) | None |
| | Gen Mao International Corp. | Taiwan | Investment holdings | 92,000 | 92,000 | 12,553,326 | 100 | 134,610 | 5,639 | | 5,639 | None |
| | Gen Mao (Singapore) | Singapore | Investment holdings | 582,246 | 582,246 | 27,502,354 | 84.97 | 716,229 | 31,913 | | 31,361 | None |
| | Gen Mao (Singapore) | Singapore | Investment holdings | 91,079 | 91,079 | 4,866,045 | 15.03 | 126,681 | 31,913 | | 5,547 | None |
| Century Development | Centurytech Construction and Management Corp. | Taiwan | Construction and sales of related raw materials | 98,170 | 98,170 | 10,000,000 | 100 | 68,965 | (51,903) | (| 50,663) | None |
| | Jack Property Service & Management Company | Taiwan | Building management servicing | 13,750 | 13,750 | 1,512,500 | 50 | 70,932 | 35,966 | | 18,044 | None |
| Century Development | United Development | Taiwan | Investment consultancy service for domestic and foreign industrial parks | 25,536 | 25,536 | 4,432,718 | 51.60 | 68,622 | 12,571 | | 6,486 | None |
| | Century Biotech Development Corp. | Taiwan | Development and construction of real estate | 300,000 | 300,000 | 30,000,000 | 42.86 | 281,585 | (17,683) | (| 7,579) | None |
| | Greyback International Property Inc. | Philippines | Housing project in Subic | 9,912 | 9,912 | 144,600 | 30.11 | 10,266 | (1,072) | (| 322) | None |
| Century Development | Century Real Estate (International) Pte. Ltd. | Singapore | Investing in other areas | 365,820 | 365,820 | 12,160,000 | 40.00 | 323,754 | (26,763) | (| 10,705) | None |
| Teco Electro | Teco Electro Devices Co., Ltd. | British Virgin Islands | Trading and investment holdings | 88,108 | 88,108 | 2,510 | 100 | 120,639 | 4,154 | | 4,449 | None |

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2019 | | Net profit (loss) of the investee for the year ended December 31, 2019 | Investment income recognized by the Company for the year ended December 31, 2019 | Footnote |
|------------------------------|---|----------------------------------|---|---------------------------------|---------------------------------|---------------------------------------|---------------------|--|--|--------------------------------------|
| | | | | Balance as at December 31, 2019 | Balance as at December 31, 2018 | Number of shares | Ownership (%) | Book value | | |
| Teco Singapore | Century Development | Taiwan | Development and management of industrial park | \$ 179,222 | \$ 179,222 | 21,264,873 | 6.06 | \$ 249,794 | \$ 217,650 | 13,190 None |
| Teco International Kuen Ling | Creative Sensor Inc. CHING CHI INTERNATIONAL LIMITED | Taiwan British Virgin Islands | Manufacturing and sales of electronic components Investing in other areas | 52,560 201,467 | 52,560 201,467 | 4,376,447 6,200,000 | 3.41 83 | 112,288 436,861 (| 183,626 14,843) (| 6,253 12,312) None |
| Tong-An Assets | Century Development Century Biotech Development Corp. Century Real Estate (International) Pte. Ltd. | Taiwan Taiwan Singapore | Leasing of real estate Development and construction of real estate Investing in other areas | 184,893 200,000 274,856 | 184,893 200,000 274,856 | 17,018,916 20,000,000 9,120,000 | 4.85 28.57 30 | 199,855 187,724 (| 217,650 17,683) (| 10,553 5,052) None 8,029) None |

Note: Tong Tai acquired Tong Tai Jung and set the effective date of the merger on December 31, 2019. Tong Tai was the surviving company while Tong Tai Jung was the dissolved company under the merger.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019 | | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 | Net income of investee for the year ended December 31, 2019 | Ownership held by the Company (direct or indirect)(%) | Investment income (loss) recognized by the Company for the year ended December 31, 2019 | Book value of investments in Mainland China as of December 31, 2019 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019 | Footnote |
|-------------------------------|---|-----------------|----------------------|--|------|---|--|-----------|---|---|--|--|--|--|----------|
| | | | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | (%) | \$ | \$ | \$ | |
| Teco (Dong Guang) | Manufacturing and sales of air conditioners mechanical equipment | \$ 268,799 | Note 2 | \$ 188,139 | \$ - | \$ - | \$ 188,139 | \$ - | \$ 188,139 | \$ 912 | 100 | \$ 912 | \$ 135,279 | \$ - | Note 15 |
| Wuxi Teco | Manufacturing and sales of motors | 1,697,276 | Note 1 | 768,259 | - | - | 768,259 | 180,519 | 768,259 | 180,519 | 82.35 | 152,070 | 1,567,795 | - | Note 15 |
| Taian (Wuxi) | Manufacturing and sales of optical fiber | 495,213 | Note 11 | 205,551 | - | - | 205,551 | 22,201 | 205,551 | 22,201 | 100 | 22,201 | 1,272,388 | - | Note 15 |
| Nanchang Teco | Manufacturing and sales of home appliances | 456,293 | Note 3 | 456,293 | - | - | 456,293 | 899 | 456,293 | 899 | 100 | 899 | 6,115 | - | Note 15 |
| Jiangxi Teco | Manufacturing and sales of motors | 1,481,569 | Note 1 | 1,383,653 | - | - | 1,383,653 | 42,455 | 1,383,653 | 42,455 | 98.07 | 40,162 | 1,404,455 | - | Note 15 |
| QingDao Teco | Manufacturing and sales of dyes | 947,331 | Note 1 | 1,648,510 | - | - | 1,648,510 | 45,716 | 1,648,510 | 45,716 | 87.6 | 41,011 | 361,085 | - | Note 15 |
| Xiamen Teco | Sales of motors and home appliances | 20,590 | Note 3 | 20,590 | - | - | 20,590 | - | 20,590 | - | - | - | - | - | Note 19 |
| Xiamen An-Tai | Development, manufacturing and sales of LCD monitors. Plant rentals and related real estate management | 678,681 | Note 3 | 467,577 | - | - | 467,577 | (7,145) | 467,577 | (7,145) | 100 | (7,145) | 241,924 | - | Note 15 |
| Teco Han Zhou | Development and consulting of device products | 9,837 | Note 1 | 9,837 | - | - | 9,837 | 2,248 | 9,837 | 2,248 | 100 | 2,082 | 30,606 | - | Note 16 |
| Teco Century | Manufacturing and sales of compressor | 680,938 | Note 3 | 340,469 | - | - | 340,469 | (16,401) | 340,469 | (16,401) | 24 | (3,936) | 25,522 | - | Note 16 |
| Fujian Teco | Manufacturing and sales of electronic components | 391,843 | Note 1 | 391,843 | - | - | 391,843 | (3,473) | 391,843 | (3,473) | 100 | (3,473) | 67,309 | - | Note 16 |

| Investee in Mainland China | Main business activities | Paid-in capital | | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019 | | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 | | Ownership held by the Company (direct or indirect)(%) | Investment income (loss) recognized by the Company for the year ended December 31, 2019 | | Book value of investments in Mainland China as of December 31, 2019 | | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019 | | Footnote |
|---|--|-----------------|---------|--|--------|----|---|--------|--|--|--------|--|--------|--|--------|-----------------|
| | | \$ | Note 2 | \$ | Note 3 | \$ | Note 3 | \$ | Note 3 | \$ | Note 3 | \$ | Note 3 | \$ | Note 3 | |
| Ecologic International Teco (Tianjin) Innovation | Distribution of air conditioner | 24,004 | Note 2 | - | - | - | - | - | 39.9 | 1,371 | 423 | 3,892 | - | - | - | Note 16 |
| | Central China area Operation center | 15,990 | Note 3 | - | - | - | 15,990 | 423 | - | 423 | - | 14,653 | - | - | - | Note 19 |
| Teco (Jiang Xi) | Manufacturing and sales of air conditioning mechanical equipment | 79,813 | Note 3 | - | - | - | 79,813 | 2,871 | 100 | 2,871 | - | 124,630 | - | - | - | Note 15 |
| Teco Sichuan Trading | Sales of home appliances | 26,522 | Note 11 | - | - | - | - | - | - | - | - | - | - | - | - | Note 19 |
| Jiangxi Teco-Lead | Manufacturing and sales of wind generator | 141,079 | Note 1 | - | - | - | 62,865 | - | - | - | - | - | - | - | - | Note 19 |
| Qingdao Teco Innovation | Science Park development and business operations and consulting services | 59,444 | Note 13 | - | - | - | 59,444 | 197 | 100 | 197 | - | 37,019 | - | - | - | Note 16 |
| Shanghai Teco | Sales of home appliances | 23,829 | Note 1 | - | - | - | 23,829 | 65,648 | 100 | 65,644 | - | 96,411 | - | - | - | Note 15 |
| Hunan TECO Wind Energy Limited | Manufacturing, sales and technical services of 2.0 megawatt and above aerogenerator, wheel bay and other components | 240,818 | Note 11 | - | - | - | 240,818 | 3,258 | 100 | (3,258) | - | 149,057 | - | - | - | Notes 15 and 20 |
| Jiangxi TECO Westinghouse Motor Coil Co., Ltd. | Manufacturing and sales of motors, winding and related parts | 119,840 | Note 12 | - | - | - | - | 3,389 | 100 | 3,389 | - | 110,724 | - | - | - | Note 15 |
| Wuxi TECO Precision | Production and sale of industrial motors and applications | 656,500 | Note 14 | - | - | - | - | 11,639 | 100 | 11,639 | - | 780,421 | - | - | - | Note 15 |
| Beijing Pelican ^d Express | Storage services | 26,422 | Note 4 | - | - | - | 26,422 | (372) | 100 | (372) | - | 2,206 | - | - | - | Note 15 |
| Fubon Gehua (Beijing) Trading Co., Ltd. | Merchandise wholesale | 344,643 | Note 5 | - | - | - | 24,746 | - | 1.63 | - | - | - | - | - | - | Notes 17 and 18 |
| Wuhan Tecom | Communication network information, technology development, sales and technology services business | 6,950 | Note 6 | - | - | - | 6,950 | 1,575 | 100 | 407 | - | 3,673 | - | - | - | Note 15 |
| Tecom Tech (Wuxi) | R & D, manufacture of broadband access network communication system equipment; sale of products to provide technology services | 485,455 | Note 7 | - | - | - | 485,455 | (106) | 100 | (77) | - | 2,983 | - | - | - | Note 15 |

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 | Net income of the year ended December 31, 2019 | Ownership held by the Company (direct or indirect)(%) | Investment income (loss) recognized by the Company for the year ended December 31, 2019 | Book value of investments in Mainland China as of December 31, 2019 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019 | Footnote |
|--|--|-----------------|----------------------|---|--|-------------------|---|---|---|--|--|--|----------|
| | | | | | Remitted to Mainland China | back to Taiwan | | | | | | | |
| Tecom Tech Investment (BVI) | Flat panel displays, IT products, printed circuit board assembly, manufacture, testing and communication products and equipment R & D reproduction | \$ 34,990 | Note 8 | \$ 34,990 | \$ - | \$ - | \$ 34,990 | \$ - | - | \$ - | \$ - | \$ - | Note 19 |
| Beijing Tecom Innovation Technology Co., Ltd. | Intelligent home systems and spare parts of the Internet of things, wholesale, import and export of goods and technology import and export, import and export agency, to provide technical advice, technical training and technical services | 14,566 | Note 8 | 14,566 | - | - | 14,566 | (150) | - | (150) | - | - | Note 19 |
| Information Technology (Wuxi) | ERP building, system maintenance and purchases of information appliance | 10,167 | Note 9 | 10,167 | - | - | 10,167 | 1,525 | 100 | 1,525 | 16,355 | - | Note 15 |
| Information Technology Information Technology | ERP building, system maintenance and purchases of information appliance | 2,257 | Note 9 | 2,257 | - | - | 2,257 | 182 | 100 | 182 | 48 | - | Note 15 |
| Wuxi TECO Precision Industry Co. Ltd. | ERP building, system maintenance and purchases of information appliance R&D, manufacturing and sales of motors and provide products sales skills | 1,000 | Note 9 | - | - | - | - | 117 | 100 | 117 | 685 | - | Note 15 |
| | | 115,125 | Note 10 | 86,101 | - | - | 86,101 | 4,154 | 100 | 4,154 | 121,076 | 43,266 | Note 15 |

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

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

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

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

Note 5: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Asian Crown International Co., Ltd., Fortune Kingdom Corporation and Hong Kong Fabon Multimedia Technology Co., Ltd. and then invest in Mainland China.

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

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

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

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

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

Note 11: Through investing in investees in the third areas, which then invested in the investee in Mainland China: Invest through Micropac Worldwide (B.V.I) and then invest in Mainland China.

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

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

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

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

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

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

Note 18: As of December 31, 2019, accumulated impairment of \$24,746 was accrued.

Note 19: The liquidation has been completed.

Note 20: The liquidation has not been completed.

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|---|--|--|---|
| TECO Electric & Machinery Co., Ltd. | \$ 6,487,880 | \$ 8,713,487 | \$ 37,022,874 |
| Taiwan Pelican Express Co., Ltd. | 51,168 | 51,168 | 1,037,550 |
| Tecom Co., Ltd. | 541,961 | 754,000 | 216,122 |
| Information Technology Total Services Co., Ltd. | 12,424 | 12,424 | 312,890 |
| Teco Electro Devices Co., Ltd. | 86,101 | 104,259 | 174,278 |

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

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

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas
For the year ended December 31, 2019

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investee in Mainland China | Sale (purchase) | | Property transaction | | Accounts receivable (payable) | | Provision of endorsements and guarantees | | Maximum balance during the year ended December 31, 2019 | | Financing | | Interest during the year ended December 31, 2019 | Others |
|----------------------------|-----------------|------|----------------------|---|-------------------------------|-------|--|---------|---|-------------------|------------------------------|---------------|--|--------|
| | Amount | % | Amount | % | Balance at December 31, 2019 | % | Balance at December 31, 2019 | Purpose | December 31, 2019 | December 31, 2019 | Balance at December 31, 2019 | Interest rate | | |
| Wuxi Teco | \$ 21,584 | - | \$ - | - | 5,777 | - | - | - | \$ - | - | - | - | \$ - | - |
| Taian (Wuxi) | 33,509 | - | - | - | 7,147 | - | - | - | - | - | - | - | - | - |
| Jiangxi Teco | 45,049 | - | - | - | 7,580 | - | - | - | - | - | - | - | - | - |
| QingDao Teco | 4,014 | - | - | - | 1,039 | - | - | - | 137,492 | - | 128,590 | 3.5% | 4,589 | - |
| Xiamen An-Tai | - | - | - | - | - | - | - | - | 94,800 | - | 77,948 | 2.3% | 865 | - |
| Shanghai Teco | 13,083 | - | - | - | 12,795 | - | - | - | - | - | - | - | - | - |
| Teco (Jiang Xi) | 540 | - | - | - | 1 | - | - | - | - | - | - | - | - | - |
| Wuxi Teco Precision | 1,927 | - | - | - | 1,133 | - | - | - | - | - | - | - | - | - |
| Wuxi Teco | (761,885) | (5%) | - | - | (363,350) | (10%) | - | - | - | - | - | - | - | - |
| Taian (Wuxi) | (473,862) | (3%) | - | - | (100,190) | (3%) | - | - | - | - | - | - | - | - |
| Jiangxi Teco | (90,632) | (1%) | - | - | (16,058) | - | - | - | - | - | - | - | - | - |
| QingDao Teco | (483,702) | (3%) | - | - | (164,217) | (4%) | - | - | - | - | - | - | - | - |
| Xiamen An-Tai | (13,603) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Teco (Jiang Xi) | (37,657) | - | - | - | (6,561) | - | - | - | - | - | - | - | - | - |
| Wuxi Teco Precision | (54,396) | - | - | - | - | - | - | - | - | - | - | - | - | - |

