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TECO

TECO ELECTRIC & MACHINERY CO., LTD.

2019
Annual Report

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Energy Conservation | Emission Reduction | Intelligence | Automation

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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, smart application, 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 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 competiveness 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, smart application, 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 profitibilty.

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, smart application, 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 effiecieny motor, smart appliances and other seven products were awarded "Taiwan Exellence 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 fot 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 fot 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 fot 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 Visedo 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, permanet 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 profession electric equipment and systems-related materials (R&D, design, production, and sales of equipment) Undertaking of projects related to power generationand transportation (transmission & distribution of power, power plant, alternative energy, and contruction and maintainance 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 nosiness of solor 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 typles 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, permanet 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 electromagnet switch, molded-case circuit breakers, electronic relays
Automation & Intelligent Manufacturing Center	Integration of producting 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 loyality, survelliance, 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

March 31, 2020

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
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-Jy, 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 Gloabl 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	-	-	-
Managing Director	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
	Japan	Representative: Yu-Ren, Huang	2018.6.15	3	2012.6.15	234,623	0.01%	234,623	0.01%	0	0	0	0					
Managing & Independent Director	ROC	Wei-Chi, Liu	2018.6.15	2	2018.6.15	0	0	0	0	0	0%	0	0	Ph.D of Business Administration, Northwestern University	Independent Director of Fusheng Precision Co., Ltd.	-	-	-
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.	-	-	-
Independent Director	ROC	Ting-Wong, Cheng	2018.6.15	2	2016.6.16	0	0	0	0	0	0	0	0	Ph.D & Master of Accountancy, University of Missouri	Independent Director of SuperAlloy Industrial Co., Ltd.	-	-	-

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 Invesmtnet..	Managing Director	Yu-Ren, Huang	Father & Son
Director	ROC	Yinge 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 Yingshi 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	1.36%	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

Criteria / Name	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	V	V	V		0
Tong Ho Gloabl Investment Co., Ltd Representative：Chao-Kai, Liu			V	V		V	V	V	V		V	V	V	V		0
Cheng-Tsung, Huang			V	V		V	V	V	V	V	V	V	V	V	V	1
Creative Sensor Inc. Representative: Yu-Ren, Huang			V			V		V				V		V		0
Wei-Chi, Liu	V		V	V	V	V	V	V	V	V	V	V	V	V	V	1
Jin-Fu, Chang	V		V	V	V	V	V	V	V	V	V	V	V	V	V	1
Ting-Wong, Cheng	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	1
Mao-Hsiung, Huang	V		V	V				V	V			V	V	V	V	0
Yinge Int. Inv. Co.,Ltd Representative： Po-Chih, Huang			V	V				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	V	V		0
Tong-An Investment Co., Ltd. Representative : Shang-Wei, Kao			V	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	V		4
Tung Kuang Investment Co., Ltd. Representative: Hong-Hsiang, Lin			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	V	V		0
Yung-Hsiang, Chang			V	V	V	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 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 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	-	Masterof Civil Enginerring, 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-chyu an, 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 Governan ce 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										Compensation paid to directors from an invested company other than the company's subsidiary
			Base Compensation(A)		Severance Pay(B)		Bonus 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)				Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		
			The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	0The 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	Cash Dividend	Stock Dividend			
1	Chairman	Tung Kuang Investment Co., Ltd. Representative：Chwen-Jy, Chiu	-	-	-	-	Total: 114,752	Total: 114,752	Total 816	Total: 1,463	3.59%	3.61%	Total: 9,053	Total: 10,253	Total: 108	Total: 108	-	-	-	-	3.87%	3.93%	1,803
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																					
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 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)				Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		
			The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	0The 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	Cash Dividend	Stock Dividend			
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 Representitive: 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		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
									Cash	Stock	Cash	Stock			
1	Chairman	Chwen-Jy, Chiu	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
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													

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 implemention 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 oversea 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 dirctor 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 dirctor 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 resummitted to the borad meeting if the shareholing 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	Performamce 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	Performamce Evaluation of Board	Internal self-evaluation of the board of directors "Board Assessment Self-evaluation Questionnaire"	
By external professional & IndependentInstitute every three year	2017.1.1~ 2017.12.31	Performamce Evaluation of Board, Audit Committee & Compension Committee and delivery of analysis reort	Invite Taiwan Institute of Ethical Business and Forensics (TIEBF) to execute through "Data Review", "Questionnaire", and "Interview"	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). 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.). 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

				have appropriate channels to express opinions on remuneration.

4. Target of strengthening the functionof the Board and evaluation of current year and recent years

i. Strengthen the authorities of the funcational committee

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 compension 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.

ii. Enhance the effectiveness of the Board

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.

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 menbers 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 subsidaries	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 16th 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		

	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 resummitted 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 Comittee	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 Comittee	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 amendaments 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	V			
a. Whether the company has formulated and implemented internal procedure for handling suggestions, questions, disputes, and litigation of shareholders.			a. The company has installed stock-affairs unit, which handles shareholders' suggestions or disputes, among others.	a. Compliance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies".
b. Whether the company has got hold of the list of major shareholders and their ultimate controllers.			b. The company has got hold of the list of major shareholders and their ultimate controllers, which is updated regularly.	b. Compliance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies".
c. Whether the company has established and implemented risk-management and firewall mechanism pertaining to affiliates.			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 affliated companies, regularly checks the accounting and internal control systems of affliated companies, and establish appropriate risk control and firewall mechanisms.	c. Compliance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies".
d. Whether the company has formulated internal norms forbidding the company's insiders to take advantage of unpublicized information in trading in securities.			d. The company has formulated internal norms forbidding insiders to take advantage of unpublicized information in trading in securities.	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	
	V		Mangement 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. 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 drgree (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). 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.	
b. Whether the company has installed on its own various functional committees other than the compensations committee and the auditing committee.			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)	b. Compliance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"
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.			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 "measures for evaluating the performance of the board of directors" 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	c. 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	
			directors would 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. 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. 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.	

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.			Improvement actions: 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 affliated companies and distributors, provide better and faster support, and promote competitiveness, market share, and customer satisfaction. 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. 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. 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)	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			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. 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 traning, 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 summited 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: 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	
			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. 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. 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. 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).	
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		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). 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.	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 rntrusted 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.			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. 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. 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. 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. 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. 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. 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	

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 Exchage.	V		a. The company was granted top 5% evaluation in corporate-governance evaluation for six years running since fiscal 2015. 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. 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.	Compliance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"

Note 1: Implement the policy of diversification in the borad

Name Name	Basic Condition and Value		Back-ground	Knowledge and Skill							
	Sex	Nationality	Education	Judg-ment for operation	Analytical Skills for accounting and finance	Mana-gement	Crisis Mana-gement	Industry 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	Comply with the standard
1	Do certified public accountants, their spouses, or minor children have relationship of investment or financial-interest sharing with the company?	No	v
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	v
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	v
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	v
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	v
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	v
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	v
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	v
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	v
B. Operation of Independence			
	Item	Result	Comply with the standard
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	v
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	v
3	Whether certified public accountants carry out professional service in upright and rigorous manner?	Yes	v
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	v

Note 4: Issues which stakeholders focus and communication channel

Stakeholder	Issue	Communication Channel	Communication Result
Shareholder	· Business development and operation · Financial transparency · Risk management · Corporate governance Environmental protection	· 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	· 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	· Business development and operation · Relations between company and employees\Employees' rights and interests · Training and career development · Occupational environment · Expression of employees' opinions and	· 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	· 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	· Publication of a bimonthly · Survey of employees' satisfaction---once a year · Proposals for improvement · Contact window:(HR) edwardyu@teco.com.tw	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	· Labeling for products and services · Customers' health and safety · Marketing communication · Survey of customers' satisfaction · Green products	· 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	· Green supply chain management · Human right evaluation for suppliers · Operational performance · Order management · Quality management · Technology used in production	· Evaluation of suppliers · Examination of suppliers · Counseling for suppliers---offered if needed · E-procurement---if needed · Contact window:(Procurement)Jasper.Y@teco.com.tw	· 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	· Occupational safety and health · Environmental management · Social participation · Voluntary services for social benefit	· 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	· 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)	· Environmental protection · Social benefit · Labor conditions	· 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	· 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	· Regulatory compliance · Occupational safety and health · Reduction in greenhouse gas emission · Environmental protection · Energy management	· 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	· 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 reulations.

(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 owing 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 renumeration 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 Responsibilty 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 Responsibilty Best Practice Principles for TWSE/GTSM-Listed Company"and reasons
	Yes	No	Summaried Explanation	
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. 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?			Relevant data are publicly disclosed in the corporate social responsibility report. 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. 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.	
D. Social Issues a. Whether the company has formulated relevant management policy and procedure, according to related laws/regulations and international convention on human rights. 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? c. Whether the company has provided staffers safe and healthy working environment and held regular safety and health education for staffers.	V		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. 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. 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	No Difference

Items	Implement Status			Difference with " Corporate Social Responsibilty Best Practice Principles for TWSE/GTSM-Listed Company"and reasons
	Yes	No	Summaried Explanation	
d. Whether the company has established effective cultivation plan for staffers in developing capabilities essential for their career. 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 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?			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 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. 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. 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.	
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 Responsibilty Best Prectice Principles, should it exist, and its difference with "Corporate Social Responsibilty Best Prectice 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 Aboriginals 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	
A. Formulate policy and program for ethical corporate management 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	V		a. 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. 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.	No major difference
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"			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	

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?			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 ". c. 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 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 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 "	
B. Materialize ethical corporate management 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.	V		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.	No major difference

Items	Implementation Status			Difference with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summaried Explanation	
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?			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.	
c. Whether the company has formulated policy preventing conflict of interest and provided, as well as faithfully executed, proper channel for complaints.			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.	
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.			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.	
e. Whether the company had held internal or external education and training regularly on ethical corporate management.			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	

Items	Implementation Status			Difference with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summaried Explanation	
			candidates should attend, Of the 163 who takes the exams, 162 passed, 92.1% attendence 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).	
C. Status of the company's reporting system: 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. b. Whether the company has instituted standard operating procedure for handling reported items and related confidentiality mechanism. c. Whether the company has adopted measures to protect informants from improper treatment.	V		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 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. 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.	No major difference
D. Intensifying information disclosure a. Whether the company has disclosed its "Ethical Corporate Management Best Practices Principles" on its website and the implementation effect.	V		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.	No major difference

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 webite. 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 docunment could be accessed “Corpoarte Goverance” on Market Observation Post System (http://mops.twse.com.tw) comforming 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) comforming 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 Corpporate 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 Insititutle	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 Corpporate 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 preoduct 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 divident 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' remunerationof 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 dispoal 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 divident 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 summited to the shareholders' meeting for ratification. (3)The board of directors approved employees' bonus of NT$ 258,192 thousand and directors' remunerationof 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 preffered 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 postpond 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. Implemntation 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 dispoal 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 brackets \ Fee item		Auditing fee	Non-auditing fee (Note)	Total
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.	0	(492,088)	1,800,000	0
	Representative: Chwen-Jy, Chiu	0	0	46,143	0
Managing Director	Tong Ho Gloabal Investment Co., Ltd.	0	0	0	365,000
	Representative：Chao-Kai, Liu	0	0	0	0
Managing Director	Cheng-Tsung, Huang	0	0	0	0
Managing Director	Creative Sensor Inc.	0	0	0	0
	Representative: Yu-Ren, Huang	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	4,375,098	0	0	0
	Representative：Po-Chih, Huang	(4,270,085)	0	0	0
Director	Hung Shun Investment Co., Ltd	0	0	500,000	0
	Representative:Tzu-Yi, Kuo	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.	0	0	0	(16,561,052)
	Representative : Shang-Wei, Kao	0	0	0	0
Director	Kuang Yuan Industrial Co., Ltd.	0	0	4,800,000	3,500,000
	Representative: Shih-Chien, Yang	0	0	0	0
Director	Tong Kuang Investment Co., Ltd.	0	(492,088)	1,800,000	0
	Representative: Hong-Hsiang, Lin	0	0	20,920	0
Director	Yubantec & Co., Ltd.	0	0	6,600,000	8,000,000
	Representative: Tung-Hai, Kao	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 emploees.

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	114,752

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 Diretors	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	16th
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
Vaue 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		1st Unsecured Ordinary Corporate Bonds in 2015	1st 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
Redeption 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 Ratng: twA+ IssueRating: N/A	Taiwan Ratings Rating Date:2017/3/30 Issuer Ratng: twA+ IssueRating: N/A
Others	None	None	None
	None	None	None
Shares Dilution & Influence on Srockholders' 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 Restrcied 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 mantenance 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 harwdware, 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. Enegy & 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, wildly 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 unsuitanle 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 repute, 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 mantainance, efficiency evaluation, complete repair and mantainance 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, loacal 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, centrafigual 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

Year / Output / Major Products	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 / Year / Major Products	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 Appliacne & 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 lawand 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

Item \ Year		Five-Year Financial Summary				
		2015	2016	2017	2018	2019
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 attriubutable 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

Item \ Year		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 attriubutable 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. Consoladated 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 Consoladated 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 attriubutable 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	-	-

A. Analysis of change in cash flow:

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.

b. Investing activities: Purchase of real estate, plant and equipment is the main reason for cash outflow from investment activities

c. Financing activities: The payment of cash dividends, payment of borrowings and lease liabilities are the main causes of cash outflows from financing activities.

B. Remedy and liquidity analysis for insufficient cash: not applicable.

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	-	-

A. Analysis of change in cash flow in the current year:

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.

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.

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.

B. Remedy for Cash Deficit and Liquidity Analysis: Not Applicable

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 Revenus(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 Revenus(2)	47,909,358
Operating Income(3)	3,536,445
(1)/(2)	(0.00008%)
(1)/(3)	(0.0011%)

The company's 2019 foerign 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 reselted from inflation and counter measures

The main material that the company mainly used are steel, copper and alumni. It affets 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 operarion.

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 torward company’s performance based upon price vibration. However, the compny 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
		Multi-vehicle AGV system development
Mid-term	Accumulation of core technological strength & Development of new technological strength	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' 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 Yinge 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.

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Chart of Affiliated Companies

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 Teco 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-Anmex International(s) Pte. Letd.	2006.01.26	24,324	Sales of Electronic Products
Universal Mail Service Ltd.	1989.12	13,000	Business Docunment 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 Acitivities

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 (PHILIPINES) 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	Storge 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 ans Sales of Business Communication Products
Tecom International Investment Co., Ltd.	1980.02.22	120,000	Investment Activites
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 Activites
Tecom Global Tech Investment Pte Limited	2004.07.19	487,166	Investment Activites
Tecom Tech Investment (B.V. I)	2008.09.25	49,556	Investment Activities
Wuhan Tecom Co., Ltd.	2003.02.24	7,126	Internet Telecommunication Technnolgy 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	Managemnet 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
Hubbel-Anmex 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 (PHILIPINES) 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 Austrlia 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 Holings 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	19,540,052Shares $232,969	-	-	19,540,052Shares $470,915	None	-	-
An Tai International Investment Co., Ltd.	250,187	Working Capital	100.00%	Successive Acquisition	2,825,748Shares $26,308	-	-	2,825,748Shares $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 AMOUNT	%	December 31, 2018 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	1
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 AMOUNT	%	December 31, 2018 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 Unrecognized Contract Commitments	9				
	Significant Events after the Balance Sheet date	11				
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			
			2019		2018	
	Items	Notes	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
	Operating expenses	6(15)(24) and 7				
6100	Selling expenses		(1,826,287)	(9)	(1,879,789)	(9)
6200	General and administrative expenses		(531,689)	(3)	(552,381)	(2)
6300	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)	6(26)				
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 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)

				Retained earnings			Other equity interest				
	Notes	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 gain or loss on available-for-sale financial assets	Treasury stocks	Total equity
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	3(1)	-	-	-	-	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)	6(19)	-	-	-	-	(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	6(18)										
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 value through other comprehensive income	6(3)	-	-	-	-	(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	3(1)	-	-	-	-	(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	6(19)	-	-	-	-	(77,599)	(775,001)	3,306,517	-	-	2,453,917
Total comprehensive income (loss)		-	-	-	-	3,144,118	(775,001)	3,306,517	-	-	5,675,634
Appropriations of 2019 earnings	6(18)										
Legal reserve		-	-	315,009	-	(315,009)	-	-	-	-	-
Cash dividends		-	-	-	-	(1,770,924)	-	-	-	-	(1,770,924)
Treasury stock acquired	6(16)	-	-	-	-	-	-	-	-	(675,840)	(675,840)
Treasury stock retired	6(16)(17)	(350,000)	(325,840)	-	-	-	-	-	-	675,840	-
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	68,202	-	-	-	-	-	-	-	68,202
Disposal of investments in equity instruments at fair value through other comprehensive income	6(3)(19)	-	-	-	-	65,818	-	(65,818)	-	-	-
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	$ -	($ 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		1,853,733	1,190,865

(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
CASH FLOWS FROM INVESTING ACTIVITIES			
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		104,300	15,255
CASH FLOWS FROM FINANCING ACTIVITIES			
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		$ 704,888	$ 1,232,796

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) <u>Classification of current and non-current items</u>

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 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.

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
	$ 704,888	$ 1,232,796

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)
	$ 1,966,144	$ 1,835,790

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	$ 88,601	($ 103,280)

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
	$ 7,459,586	$ 5,983,461

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	$ 1,461,127	$ 1,251,661
Cumulative gains (losses) reclassified to retained earnings due to derecognition	$ -	$ 659,293
Dividend income recognised in profit or loss		
Held at end of year	$ 216,079	$ 155,889
Derecognised during the year	$ -	$ -

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)
	$ 298,848	$ 405,734
Accounts receivable	$ 1,398,390	$ 1,556,001
Less: Allowance for bad debts	(26,146)	(27,109)
	$ 1,372,244	$ 1,528,892

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
	$ 1,671,092	$ 1,934,626

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
	$ 2,722,981	($ 210,179)	$ 2,512,802

	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
	$ 3,021,272	($ 262,631)	$ 2,758,641

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
	47,863,243	45,453,088
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
	2,979,944	3,038,822
	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)
	$ 50,330,564	$ 47,797,574

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
	2,093,304	1,828,726
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
	120,375	154,493
	$ 2,213,679	$ 1,983,219

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 December 31, 2019	Shareholding ratio December 31, 2018	Nature of relationship	Method of measurement
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	Tung Pei Industrial Co., Ltd. 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

	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	$ 1,316,316	$ 1,300,082
Share in associate's net assets	$ 445,494	$ 440,000
Goodwill	-	-
Carrying amount of the associate	$ 445,494	$ 440,000

	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	$ 1,450,802	$ 1,470,102
Share in associate's net assets	$ 198,294	$ 241,171
Goodwill	88,069	106,084
Carrying amount of the associate	$ 286,363	$ 347,255

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	$ 226,628	$ 489,574
Dividends received from associates	$ 78,290	$ 117,435

	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
At January 1, 2019								
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)
	$ 1,601,060	$ 852,698	$ 561,015	$ 39,419	$ 1,360	$ 23,874	$ 660,104	$ 3,739,530
2019								
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	$ 1,588,515	$ 813,842	$ 468,386	$ 50,948	$ 982	$ 18,773	$ 578,672	$ 3,520,118
At December 31, 2019								
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)
	$ 1,588,515	$ 813,842	$ 468,386	$ 50,948	$ 982	$ 18,773	$ 578,672	$ 3,520,118

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Rental assets	Total
At January 1, 2018								
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)
	$ 1,601,867	$ 818,545	$ 540,837	$ 1,381	$ 29,514	$ 640,572	$ 128,773	$ 3,761,489
2018								
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	$ 1,601,060	$ 852,698	$ 561,015	$ 1,360	$ 23,874	$ 660,104	$ 39,419	$ 3,739,530
At December 31, 2018								
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)
	$ 1,601,060	$ 852,698	$ 561,015	$ 1,360	$ 23,874	$ 660,104	$ 39,419	$ 3,739,530

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
	$ 11,418	$ 85,294

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
At January 1, 2019			
Cost	$ 1,162,511	$ 1,861,764	$ 3,024,275
Accumulated depreciation and impairment	-	(964,093)	(964,093)
	$ 1,162,511	$ 897,671	$ 2,060,182
2019			
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	$ 1,175,056	$ 864,152	$ 2,039,208
At December 31, 2019			
Cost	$ 1,175,056	$ 1,867,393	$ 3,042,449
Accumulated depreciation and impairment	-	(1,003,241)	(1,003,241)
	$ 1,175,056	$ 864,152	$ 2,039,208

	Land	Buildings and structures	Total
At January 1, 2018			
Cost	$ 1,162,511	$ 1,822,836	$ 2,985,347
Accumulated depreciation and impairment	-	(817,807)	(817,807)
	$ 1,162,511	$ 1,005,029	$ 2,167,540
2018			
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	$ 1,162,511	$ 897,671	$ 2,060,182
At December 31, 2018			
Cost	$ 1,162,511	$ 1,861,764	$ 3,024,275
Accumulated depreciation and impairment	-	(964,093)	(964,093)
	$ 1,162,511	$ 897,671	$ 2,060,182

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
	$ 130,009	$ 151,848

(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)	-
	$ 1,000,000	$ 4,000,000

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	$ 4,299,967

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	$ 4,249,725

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
	22,443		

	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
	22,443		

(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	$ 3,006,782	($ 1,901,724)	$ 1,105,058

(20) Operating revenue

	For the year ended December 31, 2019	For the year ended December 31, 2018
Revenue from customers	$ 18,873,312	$ 20,879,719

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
Consruction contract	2,605,023	2,779,859
	$ 18,873,312	$ 20,879,719

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	$ 86,251	$ 35,076

(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 banck deposits	6,123	2,847
Other interest income	5,465	6,032
Other non-operating income	252,394	173,934
	$ 658,278	$ 548,375

(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)
	($ 382,300)	($ 548,547)

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
	100,317	94,730
Finance expenses	1,991	4,451
	$ 102,308	$ 99,181

(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
	803,739	(34,704)	19,734	788,769
－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
	814,098	144,722	-	958,820
	($ 10,359)	($ 179,426)	$ 19,734	($ 170,051)

	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
	794,842	(54,335)	63,232	803,739
－Deferred tax liabilities:				
Investment income from foreign investments	785,897	(79,271)	-	706,626
Land value incremental reserve	107,472	-	-	107,472
	893,369	(79,271)	-	814,098
	($ 98,527)	$ 24,936	$ 63,232	($ 10,359)

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	$ 321,276	$ 547,202

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)
Basic (diluted) earnings per share			
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)
Basic (diluted) earnings per share			
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 SichuanTrading 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 TecoElectric & 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 Mechtronics 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
	$ 8,962,271	$ 9,788,235

	Year ended December 31, 2019	Year ended December 31, 2018
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
	$ 96,923	$ 111,639

(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
	$ 5,359,958	$ 6,090,253

	Year ended December 31, 2019	Year ended December 31, 2018
Shipping expense:		
—Subsidiaries	$ 122,744	$ 96,031

	Year ended December 31, 2019	Year ended December 31, 2018
Service expense:		
—Subsidiaries	$ 100,288	$ 102,787

(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	163	337
	2,097,636	2,267,256
Less: reclassified to other receivables	(473,040)	(579,125)
	1,624,596	1,688,131
Less: balance of long-term equity investments	-	(76,336)
	$ 1,624,596	$ 1,611,795

(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
	$ 1,130,682	$ 1,039,045

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	$ 206,538	$ 225,724

(b) Interest income

	Year ended December 31, 2019	Year ended December 31, 2018
Subsidiaries	$ 5,454	$ 6,022

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
	$ 473,040	$ 579,125

(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
	660,753	743,157
Less: Allowance for doubtful accounts and credit balance of long-term investment	(21,926)	(28,923)
	$ 638,827	$ 714,234

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
	$ 639,163	$ 635,479

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	$ 499,800	$ 509,550

(b) Interest expense

	Year ended December 31, 2019	Year ended December 31, 2018
Subsidiaries	$ 7,180	$ 5,311

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
	$ 1,608,066	$ 2,352,794

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 compresssors (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
	$ 214,695	$ 206,757

8. PLEDGED ASSETS

Pledged asset	Book value December 31, 2019	Book value December 31, 2018	Purpose
Other current assets - bank deposits	$ 6,166	$ 16,308	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	$ 4,686	$ 13,808

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
	$ 139,566

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
Financial assets		
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
	$ 5,281,664	$ 6,219,515
Financial liabilities		
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	-
	$ 15,384,261	$ 15,964,606

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					
					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	$ 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	-
Non-monetary items							
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			
Financial liabilities							
Monetary items							
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					
					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	$ 69,991	30.7150	$ 2,149,774	1%	$ 21,498	$ -
EUR:NTD	EUR	16,479	35.2000	580,061	1%	5,801	-
JPY:NTD	JPY	926,465	0.2782	257,743	1%	2,577	-
RMB:NTD	RMB	71,380	4.4720	319,211	1%	3,192	-
AUD:NTD	AUD	4,328	21.6650	93,766	1%	938	-
Non-monetary items							
USD:NTD	USD	617,947	30.7150	18,980,249			
EUR:NTD	EUR	122,484	35.2000	4,311,420			
SGD:NTD	SGD	146,919	22.4800	3,302,731			
VND:NTD	VND	259,989,231	0.0013	337,986			
MYR:NTD	MYR	19,661	7.3789	145,076			
Financial liabilities							
Monetary items							
USD:NTD	USD	38,323	30.7150	1,177,091	1%	11,771	-
EUR:NTD	EUR	2,123	35.2000	74,730	1%	747	-
JPY:NTD	JPY	64,815	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)
		$ 1,697,768	($ 26,676)

	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)
		$ 1,962,438	($ 27,812)

	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)
		$ 1,697,768	($ 26,676)

	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)
		$ 1,962,438	($ 27,812)

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	$ 26,676

	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	$ 27,812

(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:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
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	7,451,793	-	7,793	7,459,586
	$ 8,459,637	$ -	$ 966,093	$ 9,425,730

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
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	5,976,234	-	7,227	5,983,461
	$ 6,893,825	$ -	$ 925,426	$ 7,819,251

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	$ 966,093	$ 925,426

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					
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	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					
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	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 December 31, 2019	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	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	TECO ELECTRIC & MACHINERY CO., LTD.	Xiamen An-Tai	Other receivables	Yes	$ 94,800	$ 77,948	$ 26,982	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	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	Short-term financing	-	For operating capital	-	-	-	457,909	763,182	Note 3
2	Teco Westinghouse	TWMM	〃	〃	69,520	65,956	-	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	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	Short-term financing	-	For operating capital	-	-	-	524,058	524,058	Note 5
4	Jiangxi Teco	QingDao Teco	〃	〃	57,538	53,812	-	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	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: Company name	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 endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
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 no 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 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	
	Fund 1, etc.	〃	〃	-	224,674	-	224,674	
Teco International	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	
	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	
U.V.G	Stock 19, etc.	〃	Note 1	118	5,303	-	5,303	
An-Tai International	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	
	Stock 21	None	〃	195	10,529	-	10,529	
	Stock 18, etc.	〃	Note 3	1,484	85,669	-	85,669	
Jie-Zheng Property	Fund 4, etc.	None	Note 2	-	35,862	-	35,862	
Teco Electro	Stock 11	Related party in substance	Note 1	200	2,733	0.18	2,733	
Information Technology Total	Stock 22, etc.	None	〃	3,269	31,757	-	31,757	
Teco Singapore	Stock 16, etc.	〃	〃	304	86,622	-	86,622	
Taiwan Pelican Express	Stock 16	〃	〃	459	133,110	0.32	133,110	

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 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-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)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
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)	(1%)	
	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) Sdn. Bhd.	〃	〃	339,320	2%	〃	〃	〃	(1,961)	-	
	Teco (Vietnam) Electric & Machinery Company Ltd.	〃	〃	333,367	2%	〃	〃	〃	(109,290)	(3%)	
	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.

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

Expressed in thousands of NTD

(Except as otherwise indicated)

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
					Amount	Action taken		
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 Mangement Corp.	〃	100,000	-	-	-	-	Total cumount 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.

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

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
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%

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

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
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.

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 (loss) 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.	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, 2019	Investment income (loss) 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
	Taian Subic	Philippines	Manufacturing and sales of switches	165,819	165,819	17,131,155	76.70	173,074	12,419	9,603	None
	Micropac (BVI) and its subsidiaries	British Virgin Islands	Manufacturing and distribution of optical fiber apparatus and international trading	454,923	454,923	14,883,591	100	1,419,907	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	Taiwan	Investment holdings	150,000	150,000	32,653,581	100	513,021	2,381	1,596	None
	Pelican	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
	Taian-Etacom 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
Eagle Holding Co.	TECO MOTOR B.V.	Netherlands	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	Italy	Production and sale of gear reducers and motors	3,989,850	3,989,850	18,010,000	100	4,224,360	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, 2019	Investment income (loss) 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
	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
	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
Lien Chang	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 International Corp.	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 Serrice & 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 (loss) 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	Creative Sensor Inc.	Taiwan	Manufacturing and sales of electronic components	52,560	52,560	4,326,447	3.41	112,288	183,626	6,253	None
Kuen Ling	CHING CHI INTERNATIONAL LIMITED	British Virgin Islands	Investing in other areas	201,467	201,467	6,200,000	83	436,861	(14,843)	(12,312)	None
Tong-An Assets	Century Development	Taiwan	Leasing of real estate	184,893	184,893	17,018,916	4.85	199,855	217,650	10,553	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
	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

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 NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 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
					Remitted to Mainland China	Remitted back to Taiwan							
Teco (Dong Guang)	Manufacturing and sales of air conditioners mechanical equipment	$ 268,799	Note 2	$ 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	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	1,272,388	-	Note 15
Nanchang Teco	Manufacturing and sales of home appliances	456,293	Note 3	456,293	-	-	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	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	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-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)	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	2,082	30,606	-	Note 16
Teco Century	Manufacturing and sales of compressor	680,938	Note 3	340,469	-	-	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)	100	(3,473)	67,309	-	Note 16

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 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
					Remitted to Mainland China	Remitted back to Taiwan							
Ecolectric International	Distribution of air conditioner	$ 24,004	Note 2	$ -	$ -	$ -	$ -	$ 3,436	39.9	$ 1,371	($ 3,892)	$ -	Note 16
Teco (Tianjin) Innovation	Central China area Operation center	15,990	Note 3	15,990	-	-	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	-	-	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	-	-	59,444	197	100	197	37,019	-	Note 16
Shanghai Teco	Sales of home appliances	23,829	Note 1	23,829	-	-	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	-	-	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 Express	Storage services	26,422	Note 4	26,422	-	-	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	-	-	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	-	-	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 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
					Remitted to Mainland China	Remitted 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	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: 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.
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)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements and guarantees		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2019	%	Balance at December 31, 2019	Purpose	Maximum balance during the year ended December 31, 2019	Balance at December 31, 2019	Interest rate	Interest during the year ended December 31, 2019	Others
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)	-	-	-	-	-	-	-	-	-	-	-	

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 AMOUNT	%	December 31, 2018 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 AMOUNT	%	December 31, 2018 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**		20,293,826	21	18,141,380	20
	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**		17,095,788	17	15,348,991	16
2XXX	**Total liabilities**		37,389,614	38	33,490,371	36
	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**		56,706,504	57	53,678,660	59
36XX	**Non-controlling interest**	6(32)	4,998,286	5	4,812,255	5
3XXX	**Total equity**		61,704,790	62	58,490,915	64
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 99,094,404	100	$ 91,981,286	100

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)

			Year ended December 31			
			2019		2018	
	Items	Notes	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)

			Year ended December 31			
			2019		2018	
	Items	Notes	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											
				Retained earnings			Other equity interest						
	Notes	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	Treasury stocks	Total	Non-controlling interest	Total equity
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	$ 6,044,372	$ 57,874,137
Effect of retrospective application		-	-	-	-	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	-	(321,563)	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)		-	-	-	-	3,109,527	(142,367)	585,378	-	-	3,552,538	356,442	3,908,980
Appropriations of 2017 earnings	6(21)												
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)	-	-	-	-	(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	$ 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	$ -	($ 321,563)	$ 53,678,660	$ 4,812,255	$ 58,490,915
Effect of retrospective application	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	-	(321,563)	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)		-	-	-	-	3,144,118	(775,001)	3,306,517	-	-	5,675,634	364,056	6,039,690
Appropriations of 2018 earnings	6(21)												
Legal reserve		-	-	315,009	-	(315,009)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(1,770,924)	-	-	-	-	(1,770,924)	-	(1,770,924)
Treasury stock acquired	6(19)	-	-	-	-	-	-	-	-	(675,840)	(675,840)	-	(675,840)
Treasury stock retired	6(19)(20)	(350,000)	(325,840)	-	-	-	-	-	-	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	-	(65,818)	-	-	-	-	-
Capital increase of non-controlling interests	6(32)	-	-	-	-	-	-	-	-	-	-	226,786	226,786
Changes in other non-controlling equity	6(32)	-	-	-	-	-	-	-	-	-	-	(128,188)	(128,188)
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	$ -	($ 321,563)	$ 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 paypale - 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

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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	$	5,367,109

(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:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(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 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 (%) December 31, 2019	Ownership (%) December 31, 2018	Description
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 (%) December 31, 2019	Ownership (%) December 31, 2018	Description
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 (%) December 31, 2019	Ownership (%) December 31, 2018	Description
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 (%) December 31, 2019	Ownership (%) December 31, 2018	Description
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 (%) December 31, 2019	Ownership (%) December 31, 2018	Description
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.	Tecoson Industrial Development (Pte) Ltd.	Investment in Southeast Asia and Hong Kong	-	100	Note 4

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Description
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 (%) December 31, 2019	Ownership (%) December 31, 2018	Description
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 (%) December 31, 2019	Ownership (%) December 31, 2018	Description
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 (%) December 31, 2019	Ownership (%) December 31, 2018	Description
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 (%) December 31, 2019	Ownership (%) December 31, 2018	Description
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 (%) December 31, 2019	Ownership (%) December 31, 2018	Description
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 (%) December 31, 2019	Ownership (%) December 31, 2018	Description
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 (%) December 31, 2019	Ownership (%) December 31, 2018	Description
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 (%) December 31, 2019	Ownership (%) December 31, 2018	Description
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 (%) December 31, 2019	Ownership (%) December 31, 2018	Description
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 (Philipines) 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 (%) December 31, 2019	Ownership (%) December 31, 2018	Description
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) <u>Classification of current and non-current items</u>

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
	$ 19,111,371	$ 17,535,566

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)
	$ 126,945	$ 193,955
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
	$ 2,291,217	$ 2,140,203

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	$ 216,570	($ 160,975)

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	108
				$ 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)
	$ 1,065,729	$ 995,951
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
	$ 14,473,017	$ 11,354,525

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
Equity instruments at fair value through other comprehensive income		
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
	$ 510,471	$ 414,374

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)
	$ 1,118,731	$ 1,063,991
Accounts receivable	$ 8,944,405	$ 9,283,282
Less: Allowance for bad debts	(164,358)	(180,854)
	$ 8,780,047	$ 9,102,428

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
	$ 9,898,778	$ 10,166,419

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 amd $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
	$ 10,522,787	($ 669,202)	$ 9,853,585

	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
	$ 12,207,734	($ 778,049)	$ 11,429,685

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
	3,897,316	4,207,360
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)
	$ 3,786,990	$ 4,120,434

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:

Associates:	For the year ended December 31, 2019	For the year ended December 31, 2018
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)
	$ 30,410	$ 114,143

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 December 31, 2019	Shareholding ratio December 31, 2018	Nature of relationship	Method of measurement
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. (Note)	R.O.C	14.62%	17.61%	〃	Equity method

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	Tung Pei Industrial Co., Ltd. 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	$ 3,297,583	$ 3,238,159
Share in associate's net assets	$ 398,472	$ 391,646
Goodwill	-	-
Carrying amount of the associate	$ 398,472	$ 391,646

	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	$ 1,316,315	$ 1,300,082
Share in associate's net assets	$ 445,494	$ 440,000
Goodwill	-	-
Carrying amount of the associate	$ 445,494	$ 440,000

	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	$ 1,450,802	$ 1,470,102
Share in associate's net assets	$ 198,294	$ 241,171
Goodwill	88,069	106,084
Carrying amount of the associate	$ 286,363	$ 347,255

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
	$ 1,042,188	$ 1,034,866

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

	Land	Buildings and structures	Leased assets - buildings and structures	Machinery and equipment	Leased assets - machinery and equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment
At January 1, 2019								
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)
Reclassifications	(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
At January 1, 2018									
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)
	$ 5,635,032	$ 4,667,438	$ 3,587,023	$ 1,973,220	$ 128,772	$ 338,653	$ 151,893	$ 1,440,268	$ 17,922,299
2018									
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	$ 5,522,482	$ 4,432,849	$ 3,409,891	$ 1,977,193	$ 39,419	$ 405,482	$ 136,198	$ 1,440,029	$ 17,363,543
At December 31, 2018									
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)
	$ 5,522,482	$ 4,432,849	$ 3,409,891	$ 1,977,193	$ 39,419	$ 405,482	$ 136,198	$ 1,440,029	$ 17,363,543

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:

	Carrying amount	Depreciation charge
	December 31, 2019	For the year ended December 31, 2019
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
	$ 7,119,164	$ 511,213

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
At January 1, 2019			
Cost	$ 1,435,178	$ 2,705,183	$ 4,140,361
Accumulated depreciation and impairment	-	(1,356,587)	(1,356,587)
	$ 1,435,178	$ 1,348,596	$ 2,783,774
2019			
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	$ 1,443,225	$ 1,319,345	$ 2,762,570
At December 31, 2019			
Cost	$ 1,443,225	$ 2,712,555	$ 4,155,780
Accumulated depreciation and impairment	-	(1,393,210)	(1,393,210)
	$ 1,443,225	$ 1,319,345	$ 2,762,570

	Land	Buildings and structures	Total
At January 1, 2018			
Cost	$ 1,429,333	$ 2,626,469	$ 4,055,802
Accumulated depreciation and impairment	-	(1,172,325)	(1,172,325)
	$ 1,429,333	$ 1,454,144	$ 2,883,477
2018			
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	$ 1,435,178	$ 1,348,596	$ 2,783,774
At December 31, 2018			
Cost	$ 1,435,178	$ 2,705,183	$ 4,140,361
Accumulated depreciation and impairment	-	(1,356,587)	(1,356,587)
	$ 1,435,178	$ 1,348,596	$ 2,783,774

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
At January 1		
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
At December 31		
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
	$ 937,007	$ 3,380,699

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	$ 1,857,637	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	$ 1,994,360	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
	$ 4,676,588	$ 4,720,360

(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)	-
	$ 1,000,000	$ 4,000,000

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
	(2,509,489)	383,643	(2,125,846)
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
	(48,985)	9,862	(39,123)
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	($ 2,209,928)	$ 346,370	($ 1,863,558)

(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
	22,443		

	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
	22,443		

(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	$ 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	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	$ 3,006,782	($ 1,901,724)	$ 1,105,058

(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)
	$ 47,909,358	$ 50,104,927

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
	$ 46,964,134	$ 49,361,180

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
	$ 582,167	$ 873,319

(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
	$ 1,398,017	$ 1,264,083

(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	845,677	771,259
Deferred tax:		
Origination and reversal of temporary differences	74,997	(135,392)
Impact of change in tax rate	-	174,452
Total deferred tax	74,997	39,060
Income tax expense	$ 920,674	$ 810,319

(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)
	($ 25,869)	($ 66,515)

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	$ 920,674	$ 810,319

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	122,010	1,781	-	(1,474)	122,317
	1,250,743	$ 71,679	25,869	(1,474)	1,346,817
—Deferred tax liabilities:					
Investment income from foreign investments	$ 706,911	$ 141,093	$ -	$ -	$ 848,004
Land value incremental reserve	1,050,369	-	-	-	1,050,369
Trademark right	295,681	(13,524)	-	-	282,157
Others	201,115	19,107	-	-	220,222
	2,254,076	146,676	-	-	2,400,752
	($ 1,003,333)	($ 74,997)	$ 25,869	($ 1,474)	($ 1,053,935)

	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
	1,382,884	(162,372)	66,515	(36,284)	1,250,743
－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
	2,423,023	(123,312)	-	(45,635)	2,254,076
	($ 1,040,139)	($ 39,060)	$ 66,515	$ 9,351	($ 1,003,333)

D. Expiration dates of unused tax losses and amounts of unrecognised 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
		$ 2,301,200	$ 2,107,000	

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
		$ 3,532,252	$ 3,342,261	

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	$ 1,548,165	$ 1,949,343

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)
Basic (Diluted) earnings per share			
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)
Basic (Diluted) earnings per share			
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:

	November 25, 2018
Consideration received	
Cash	$ 13,808
Equity instruments	-
Total consideration	$ 13,808
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	157
Gain on disposal of investments	$ 26,071

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	$ 1,994,360	$ 7,650,846	$ 9,645,206

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:

		Non-controlling interest			
		December 31, 2019		December 31, 2018	
Name of subsidiary	Principal place of business	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	$ 613,465	$ 599,009

	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	$ 1,729,250	$ 1,614,210

	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	$ 5,047,464	$ 5,338,728

	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	$ 521,484	$ 276,861

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	$ 160,311	$ 210,164
Comprehensive income attributable to non-controlling interest	$ 115,991	$ 106,174
Dividends paid to non-controlling interest	$ 31,763	$ 50,903

	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	$ 58,790	$ 46,188
Comprehensive income attributable to non-controlling interest	$ 27,097	$ 13,734
Dividends paid to non-controlling interest	$ 18,834	$ 11,481

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 Techology (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 ManagementCo., 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
	$ 721,502	$ 825,137

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
	$ 344,107	$ 461,810

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)
	233,750	243,913
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
	75,756	66,273
	81,369	70,979
	$ 315,119	$ 314,892

(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
	$ 209,745	$ 226,921

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	$ 43,477	$ 42,675

(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
	$ 493,382	$ 512,192

8. Pledged Assets

Pledged asset	Book value December 31, 2019	Book value December 31, 2018	Purpose
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
	$ 6,179,806	$ 6,270,255	

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
	$ 1,771,087	$ 177,597

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	5,813,466
	$ 8,059,483

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
Financial assets		
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
	$ 30,506,172	$ 28,852,750
Financial liabilities		
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 liabilites	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
	$ 30,116,347	$ 26,183,416

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	USD	$ 82,388	29.98	$ 2,469,992	1%	$ 24,700	$ -
EUR:NTD	EUR	13,693	33.59	459,948	1%	4,599	-
USD:RMB	USD	39,912	6.9640	1,196,562	1%	11,966	-
JPY:NTD	JPY	924,972	0.2760	255,292	1%	2,553	-
RMB:NTD	RMB	91,800	4.3050	395,199	1%	3,952	-
USD:MYR	USD	24,272	4.0978	727,675	1%	7,277	-
USD:SGD	USD	9,308	1.3456	279,054	1%	2,791	-
AUD:NTD	AUD	5,930	21.0050	124,560	1%	1,246	
CAD:USD	CAD	5,065	0.7668	116,444	1%	1,164	
Non-monetary items							
USD:NTD	USD	658,303	29.98	19,735,935			
EUR:NTD	EUR	125,250	33.59	4,207,132			
SGD:NTD	SGD	150,929	22.28	3,362,698			
VND:NTD	VND	242,922,038	0.0013	315,799			
MYR:NTD	MYR	14,387	7.3161	105,260			
Financial liabilities							
Monetary items							
USD:NTD	USD	49,274	29.98	1,477,235	1%	14,772	-
USD:RMB	USD	4,896	6.9640	146,782	1%	1,468	-
USD:MYR	USD	22,140	4.0978	663,757	1%	6,638	-
USD:SGD	USD	3,748	1.3456	112,365	1%	1,124	-

		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	$ 3,831,297	1%	$ 38,313	$ -
EUR:USD	EUR	329	1.1460	11,581	1%	116	-
EUR:NTD	EUR	16,508	35.2000	581,082	1%	5,811	-
USD:RMB	USD	39,358	6.8682	1,208,881	1%	12,089	-
USD:SGD	USD	4,764	1.3663	146,326	1%	1,463	-
JPY:NTD	JPY	943,814	0.2782	262,569	1%	2,626	-
RMB:NTD	RMB	86,032	4.4720	384,735	1%	3,847	-
USD:MYR	USD	3,249	4.1625	99,793	1%	998	-
MYR:SGD	MYR	12,980	0.3282	95,766	1%	958	-
AUD:NTD	AUD	4,331	21.6500	93,766	1%	938	-
USD:AUD	USD	4,141	1.4177	127,191	1%	1,272	-
Non-monetary items							
USD:NTD	USD	617,947	30.7150	18,980,249			
EUR:NTD	EUR	122,484	35.2000	4,311,420			
SGD:NTD	SGD	146,919	22.4800	3,302,731			
VND:NTD	VND	259,989,231	0.0013	337,986			
MYR:NTD	MYR	19,661	7.3789	145,076			
Financial liabilities							
Monetary items							
USD:NTD	USD	54,107	30.7150	1,661,897	1%	16,619	-
USD:RMB	USD	11,544	6.8682	354,574	1%	3,546	-
USD:SGD	USD	8,310	1.3663	255,242	1%	2,552	-
USD:AUD	USD	4,645	1.4177	142,671	1%	1,427	-
EUR:NTD	EUR	2,126	35.2000	74,835	1%	748	-
JPY:NTD	JPY	134,158	0.2782	37,323	1%	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)
		$ 10,065,204	($ 166,426)

	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)
		$ 10,349,766	($ 183,347)

	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)
		$ 10,065,204	($ 166,426)

	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)
		$ 10,349,766	($ 183,347)

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	$ 166,426	$ 183,347

(c) Liquidity risk

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

ii. As of December 31, 2019 and 2018, the undrawn credit amounts are $20,190,686 and $18,253,982, respectively.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

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:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
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	15,299,211	-	239,535	15,538,746
	$ 16,708,887	$ 236	$ 1,247,785	$17,956,908
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Non-hedging derivatives	$ -	$ 50	$ -	$ 50

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
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	12,041,947	-	308,529	12,350,476
	$ 13,405,960	$ -	$ 1,278,674	$14,684,634

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:

	Listed shares	Open-end fund
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					
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	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					
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	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

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: 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
Operating revenues					
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:					
Segment assets					
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
Segment liabilities	$ 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
Operating revenues					
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:					
Segment assets					
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
Segment liabilities	$ 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	$ 99,094,404	$ 91,981,286

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	$ 37,389,614	$ 33,490,371

(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
	$ 47,909,358	$ 50,104,927

(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
	$ 47,909,358	$ 27,025,567	$ 50,104,927	$ 20,448,177

(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 December 31, 2019	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	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	TECO ELECTRIC & MACHINERY CO., LTD.	Xiamen An-Tai	Other receivables	Yes	$ 94,800	$ 77,948	$ 26,982	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	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	Short-term financing	-	For operating capital	-	-	-	457,909	763,182	Note 3
2	Teco Westinghouse	TWMM	〃	〃	69,520	65,956	-	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	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	Short-term financing	-	For operating capital	-	-	-	524,058	524,058	Note 5
4	Jiangxi Teco	QingDao Teco	〃	〃	57,538	53,812	-	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	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: Company name	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 endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
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 no 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 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 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	
	Fund 1, etc.	〃	〃	-	224,674	-	224,674	
Teco International	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	
	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	
U.V.G	Stock 19, etc.	〃	Note 1	118	5,303	-	5,303	
An-Tai International	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	
	Stock 21	None	〃	195	10,529	-	10,529	
	Stock 18, etc.	〃	Note 3	1,484	85,669	-	85,669	
Jie-Zheng Property	Fund 4, etc.	None	Note 2	-	35,862	-	35,862	
Teco Electro	Stock 11	Related party in substance	Note 1	200	2,733	0.18	2,733	
Information Technology Total	Stock 22, etc.	None	〃	3,269	31,757	-	31,757	
Teco Singapore	Stock 16, etc.	〃	〃	304	86,622	-	86,622	
Taiwan Pelican Express	Stock 16	〃	〃	459	133,110	0.32	133,110	

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 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-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)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
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)	(1%)	
	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) Sdn. Bhd.	〃	〃	339,320	2%	〃	〃	〃	(1,961)	-	
	Teco (Vietnam) Electric & Machinery Company Ltd.	〃	〃	333,367	2%	〃	〃	〃	(109,290)	(3%)	
	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.

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

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

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
					Amount	Action taken		
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 Mangement Corp.	〃	100,000	-	-	-	-	Total cumount 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.

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

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
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%

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

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
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 (loss) 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.	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: Balance as at December 31, 2019	Initial investment amount: Balance as at December 31, 2018	Shares held as at December 31, 2019: Number of shares	Shares held as at December 31, 2019: Ownership (%)	Shares held as at December 31, 2019: Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognized by the Company for the year ended December 31, 2019	Footnote
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	Philippines	Manufacturing and sales of switches	165,819	165,819	17,131,155	76.70	173,074	12,419	9,603	None
	Micropac (BVI) and its subsidiaries	British Virgin Islands	Manufacturing and distribution of optical fiber apparatus and international trading	454,923	454,923	14,883,591	100	1,419,907	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	Taiwan	Investment holdings	150,000	150,000	32,653,581	100	513,021	2,381	1,596	None
	Pelican	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
	Taian-Etacom 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
Eagle Holding Co.	TECO MOTOR B.V.	Netherlands	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	Italy	Production and sale of gear reducers and motors	3,989,850	3,989,850	18,010,000	100	4,224,360	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, 2019	Investment income (loss) 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
	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
	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
Lien Chang	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 International Corp.	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 Serrice & 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 (loss) 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	Creative Sensor Inc.	Taiwan	Manufacturing and sales of electronic components	52,560	52,560	4,326,447	3.41	112,288	183,626	6,253	None
Kuen Ling	CHING CHI INTERNATIONAL LIMITED	British Virgin Islands	Investing in other areas	201,467	201,467	6,200,000	83	436,861	(14,843)	(12,312)	None
Tong-An Assets	Century Development	Taiwan	Leasing of real estate	184,893	184,893	17,018,916	4.85	199,855	217,650	10,553	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
	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

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	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
					Remitted to Mainland China	Remitted back to Taiwan							
Teco (Dong Guang)	Manufacturing and sales of air conditioners mechanical equipment	$ 268,799	Note 2	$ 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	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	1,272,388	-	Note 15
Nanchang Teco	Manufacturing and sales of home appliances	456,293	Note 3	456,293	-	-	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	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	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-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)	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	2,082	30,606	-	Note 16
Teco Century	Manufacturing and sales of compressor	680,938	Note 3	340,469	-	-	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)	100	(3,473)	67,309	-	Note 16

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 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
					Remitted to Mainland China	Remitted back to Taiwan							
Ecolectric International	Distribution of air conditioner	$ 24,004	Note 2	$ -	$ -	$ -	$ -	$ 3,436	39.9	$ 1,371	($ 3,892)	$ -	Note 16
Teco (Tianjin) Innovation	Central China area Operation center	15,990	Note 3	15,990	-	-	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	-	-	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	-	-	59,444	197	100	197	37,019	-	Note 16
Shanghai Teco	Sales of home appliances	23,829	Note 1	23,829	-	-	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	-	-	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 Express	Storage services	26,422	Note 4	26,422	-	-	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	-	-	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	-	-	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 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
					Remitted to Mainland China	Remitted 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	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: 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)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements and guarantees		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2019	%	Balance at December 31, 2019	Purpose	Maximum balance during the year ended December 31, 2019	Balance at December 31, 2019	Interest rate	Interest during the year ended December 31, 2019	Others
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)	-	-	-	-	-	-	-	-	-	-	-	

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