



Energy Conservation | Emission Reduction | Intelligence | Automation



TECO ELECTRIC & MACHINERY CO., LTD.

2020

Annual Report

Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA



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I. Letter to Shareholders



Dear Shareholders,

Looking back at 2020, due to the Covid-19, the global lockdown of countries and cities has affected the real economic activities. However, the U.S. Federal Reserve will implement an unlimited monetary erasing policy due to the impact of the epidemic. Central banks in various countries have followed suit. This has led to a flood of global funds and a surge in capital markets, especially in semiconductor-related industries. This has caused the global economy to be cold and the stock market is hot. In fact, the export performance of major countries mostly showed a major recession.

Thank to Taiwan's successful epidemic prevention, the domestic economic momentum supported by the government's strategic industries remained strong, which benefited Taiwan's semiconductors, notebook computers, and other remote office-related products, which benefited a significant

increase in exports. According to statistics from the General Accounting Office, Taiwan's economic growth was 2.98 % in 2020 among the best in the world.

A. Review of 2020 business performance

In 2020, the company continued to focus on "energy conservation, emissions reduction, intelligence, and automation" as the main axis of development, strengthened the goal of digital transformation, refined marketing and production automation, and actively improved the business intelligence management system (BI), and used the digital platform to effectively control Operational status of production and sales bases around the world. Therefore, individual revenue and current net profit can still grow by 5% and 9% respectively. In the consolidated financial report, although overseas subsidiaries in Europe, America and Southeast Asia are affected by the epidemic, shipments have decreased, which has reduced consolidated revenue by 4% compared with the same period last year. However, due to proper cost and expense control and lower income tax expenses, consolidated net profit still grew by 8%.

a. The implementation results of the strategic development plan in 2020

1. Green Energy Development:

In 2020, it obtained the Offshore Wind Power Substation Project, and the 2MW Energy Storage (BESS) in New Mexico, USA, and launched the nine-ditch motor of the fishery special waterwheel to help the aquaculture industry save energy and reduce costs, and continue to promote the development of green energy.

2. Intelligence/digitalization:

Import the BI platform to visualize the complex operating data of the group and improve management efficiency. In addition, a CRM system has also been established to obtain global business opportunities simultaneously with related enterprises, and the inquiries and quotation systems are connected in series to improve the efficiency of business quotation. As for the factory, the planning of unmanned robotic line and unmanned assembly line has been completed, as well as the layout of the external sales of major equipment power monitoring systems.

3. Manufacturing center layout and automation:

Obtained an external order for monitoring systems for key equipment in 2020, and completed the establishment of three internal production centers (Taiwan, Mainland China, Vietnam), as well as Taiwan's in-plant electricity and air pollution control system, and the construction of production equipment AI health diagnosis and preventive maintenance system.

4. R&D achievements and forward-looking product development:

In 2020, the company has achieved fruitful research and development results, and won 11 awards in 29th Taiwan Excellence Awards. Among them, the automotive motor and driver 50-130kW series (high-efficiency new-generation electric vehicle power system) won the Gold Award. In addition, 43 patents were obtained in 2020. In terms of energy saving, emission reduction, intelligence and automation, forward-looking products have been developed in 2020, including: PM&SRM high-efficiency motors, E-HOUSE, MHm diagnostic systems, fleet management systems, logistics-based AGVs, epidemic prevention robots, Smart retail, robot joint system, water-cooled permanent magnet synchronous inverter duty ice water machine, smart energy-saving-networked commercial air-cooled inverter duty box machine, intelligent monitoring ultra-high power density low-voltage motor, networked multifunctional vector frequency converter, intelligent monitoring inverter duty permanent Magnetic motors and electric vehicle power systems, etc.

b. 2020 financial status, execution result of business plan, and profits

1. Result and profit analysis of 2020

1-1 Parent company alone

Table 1

	2020	2019	Change
Net operating revenue	19,819,029	18,873,312	5%
Operating income	1,075,034	1,114,970	-4%
Current net profit	3,511,358	3,221,717	9%
Total comprehensive profit and loss for the current period	7,262,630	5,675,634	28%

In terms of operating income, the Energy and Engineering Division has obtained Internet Data Center (IDC), offshore wind power and many engineering contracts, and its operating income has grown significantly over the same period; the sales of air conditioners and other home appliances in the Home Appliances Division have been booming, and revenue has also grown over the same period. Although the heavy power and green energy business units are limited by the impact of the epidemic in overseas markets such as North America, Europe and Southeast Asia, sales have declined, and revenue has declined slightly. On the whole, the company's individual revenue has grown significantly due to engineering and home appliance revenue. An increase of 5% last year.

In terms of operating profit, the increase in the proportion of engineering revenue caused a slight decrease in the company's gross profit margin. In terms of operating expenses, due to the increase in the rate of recycling and disposal of household appliances levied by the government, operating expenses increased slightly. Overall, operating profit decreased by about 4%.

In terms of non-operating income and expenditure, in 2020, due to more dividend income from cost-based investment companies and the increase in financial assets measured by fair value, the non-operating income and expenditure increased profits compared with the same period last year. In addition, the income tax expense was lower than that of the same period last year, mainly due to the decrease in the income tax imposed on undistributed surplus, which resulted in a 9% increase in the company's current net profit compared to the previous year.

In addition, the total comprehensive profit and loss for the current period increased by 28% compared with the same period last year, mainly due to the recognition of the unrealized value-added evaluation benefits of equity instrument investment measured at fair value through other comprehensive profit and loss, and the conversion of the financial statements of foreign operating institutions arising from the appreciation of the Taiwan dollar difference.

1-2. Consolidated report of the company and subsidiaries

Unit: NT\$1,000

	2020	2019	Change
Net operating revenue	45,823,430	47,909,358	-4%
Operating income	3,534,057	3,536,445	-0%
Current net profit	3,811,648	3,518,780	8%
Current comprehensive net profit	7,603,587	6,039,690	26%

Consolidated operating income declined slightly, mainly because the shipments of electromechanical products in North America, Europe and Southeast Asia were affected by the Covid-19. Due to the impact of the epidemic, the oil & gas industry in North America has suspended capital expenditures. Under the dual influence, sales of mechanical and electrical products have declined; As for electronic control and appliance products, sales are not as good as the same period, which is due to the weak market demand for machine tools and machinery due to the U.S.-China trade war.

However, domestic energy, electrical and mechanical engineering has grown substantially, and domestic sales of home appliances have benefited from energy-saving subsidies. In addition, air-conditioning related industries have also benefited from growth.

In terms of consolidated operating profit and consolidated net profit for the current period, due to strict cost and expense control and employment-related subsidies provided by various countries to reduce costs, consolidated operating profit is comparable to the same period last year, while non-operating income and income tax have improved profitability. The company-wide consolidated net profit for the current period grew by 8%. In addition, the total comprehensive profit and loss for the current period increased significantly by 26%, mainly due to the recognition of the unrealized value-added evaluation benefits of equity instrument investment measured at fair value through other comprehensive profit and loss, and the conversion difference in the conversion of the financial statements of foreign operating institutions caused by the appreciation of the Taiwan dollar.

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 business plan into account, 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
2018	twA+(stable)	34.76	23.86%	241.22	36.41
2019	twA+(stable)	35.18	29.21%	216.55	37.73
2020	twA+(stable)	38.11	28.35%	232.90	36.05

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 30 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 Covid-19 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. Based on other consolidated comprehensive income in calculation, return on shareholders' equity hits 11%. Over the past year, the company has further improved return on shareholders' equipment 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 2021 business plan

Looking ahead at 2021, the vaccine has come out and started to be used. The economies of various countries are gradually recovering. The main forecasting agencies have forecasted substantial growth in the global economy. The Chief Accounting Office of the Executive Yuan predicts a domestic economic growth rate of 3.83%, and some agencies predict it can reach more than 4%, and the growth momentum is expected to be better than that of most economies. The main operating strategies and growth plans for 2021 are explained as follows:

a. Existing career growth plan

Facing a year of mild recovery in the overall operating environment, the company will strive for energy-saving and intelligent business opportunities based on the existing foundation. The electromechanical business will make full use of the existing global production and sales layout, strengthen the sales of high-efficiency permanent magnet motors, synchronous reluctance motors, medium and high voltage inverters, and expand the application market. At the same time, deepen the cooperation relationship with customers through digital management to grasp potential business opportunities.

The home appliance business continued its growth momentum last year, continued to increase the profitability of inverter duty energy-saving products, and combined with the comprehensive installation of air-conditioning in primary and secondary schools, and the business opportunities for large-scale revenue; at the same time, the development of high-efficiency and energy-saving products such as magnetic levitation centrifuges, combined with energy management systems and engineering management Ability to further expand the business opportunities of air-conditioning projects.

In addition to the continuous execution of orders that have already received more than tens of billions of dollars, the energy and engineering business will cooperate with the rapid growth of cloud application requirements to expand the computer room engineering business opportunities of IDC data centers at home and abroad; at the same time, it will continue to actively participate in the government's policy promotion of renewable energy development. Promote

the development of smart green energy technology, including microgrid systems, energy storage systems, and energy management equipment.

b. Strategic growth plan

1. Electric vehicle powertrain:

Continuing the 50-130kW new-generation power system completed last year, more research and development resources will be invested in the development of power-integrated solutions, and the construction of a dedicated production line for electric motors and power system testing equipment will be completed. Actively strive for commercial vehicles and passenger vehicles. Business opportunities for cooperation with domestic and foreign automakers and system manufacturers.

2. Renewable energy:

The company will use its own key equipment and system engineering advantages to develop renewable energy related businesses including solar power stations, offshore wind power land substations and energy storage systems, and will further extend to the operation of solar power stations and the use of big data technology to develop solar wisdom Diagnose the monitoring system to strengthen the maintenance and operation business.

3. Digitization and Intelligent Automation System:

In addition to continuously strengthening the establishment of corporate headquarters decision management system (BI) and customer relationship management (CRM) platforms, it will also develop industry 4.0 intelligent system integration technologies and modules through the construction and investment of unmanned processing and assembly production lines.

In the logistics industry application, the introduction of AI advanced image visual driving warning system improves the intelligent and safe transportation of moving vehicles and integrates a global intelligent management platform.

In the smart transportation system, the development of contactless AR glasses recognition technology, with the intelligent multi-vehicle automated guided vehicle (AGV) system, provides a one-stop smart logistics solution.

In the future, system application technologies and business models that combine service-oriented robots are also the focus of development to strengthen the proportion of software value-added and system integration businesses.

4. Strategic development related to energy and intelligence

In addition to the above plans, in the future, the company and Walsin Lihwa will strengthen the close relationship of the strategic alliance through a share exchange. Under the complementary sharing and full cooperation of domestic and foreign resources, the company will accelerate and expand the company's solar energy, energy storage, and the development of production line intelligent automation, automation application modules and electric vehicle-related businesses.

c. Company Governance

In 2020, the company has outstanding performance in corporate governance, including:

- ✓ Selected for the first time in the Dow Jones Sustainability Index (DJSI), and is a new company in the world listed in the "Electrical and Mechanical Industry" category.
- ✓ Selected in the latest year 2021 Sustainability Yearbook (The Sustainability Yearbook) published by the international sustainability assessment agency S&P Global, and won the annual best progress award in the global electromechanical industry, indicating that the company's sustainability performance is among the global peers of the top 15%.
- ✓ Won the Gold Award of Taiwan TOP50 Corporate Sustainability Report for seven consecutive years.
- ✓ Ranked in the top 5% of corporate governance evaluations for six consecutive years.

As a pioneer in the global electromechanical manufacturing industry, in addition to continuing to uphold the concept of sustainable operation and implementing corporate governance standards, the company has established a "CSR Working Group" to deeply embed CSR concepts in the corporate culture, including the launch of the "Employee Commonwealth Passbook", Continue to promote and sponsor the TECO Cultural and Educational Foundation's commitment to activities such as "Science Teaching in the Countryside" and "Art Appreciation", and use strict standards to lead the group to realize the vision of energy saving, emissions reduction, intelligence, and automation, and create sustainability for employees. Develop the working environment, provide customers with more value-added services, and create the best return on investment for shareholders.

Chairman: Sophia Chiu

President: Chao-chi, Lien

Accounting chief: Tommy Wu

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.

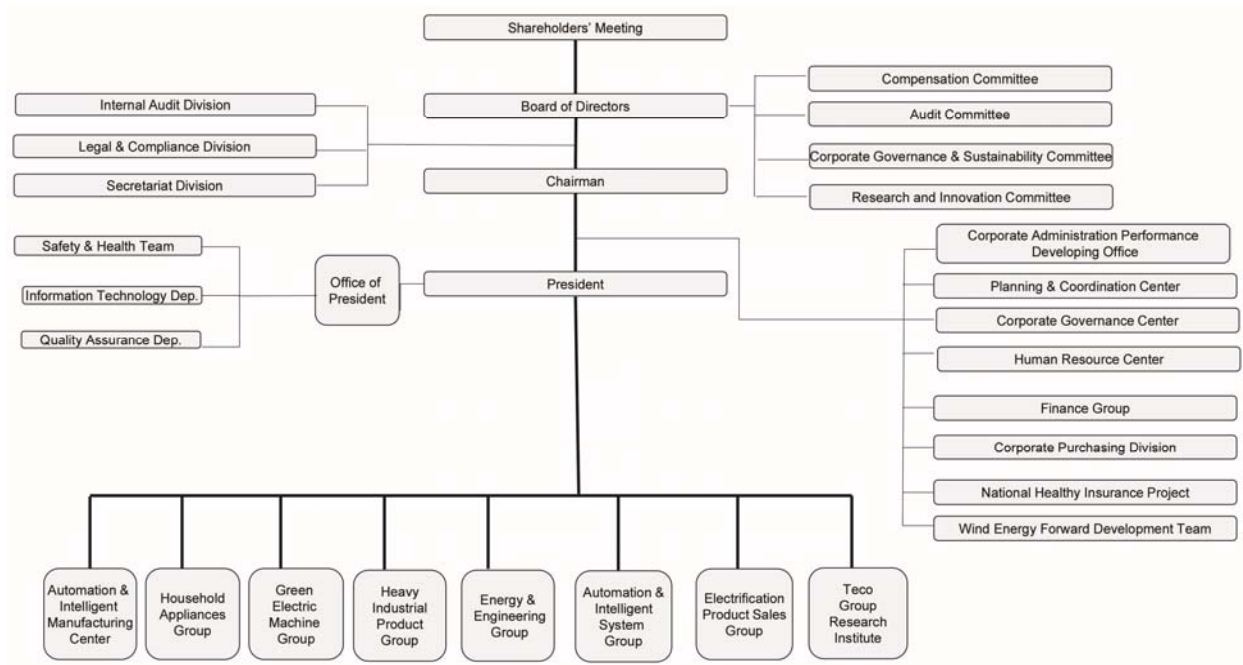


- 2014 Social harmony award & Champion for the category of big-enterprise technology at Taiwan Corporate Sustainability Awards(TCSA)
 “Award of Corporate Citizen” granted by Commonwealth magazine for the third consecutive year
 Nation’s foremost electric-machinery manufacturer, according to the study on the Top 2,000 enterprises conducted by the Commonwealth magazine
- 2015 Acquired Motovario S.p.A, extending the operation from motors to power transmission system, and facilitating expansion of TECO’s operation into Europe
 Erected a joint venture with China Steel Machinery, aiming at offshore wind turbine market
 “Award of Corporate Citizen” granted by Commonwealth magazine for the fourth consecutive year
 Acquired top 5% of Corporate Governance Evaluation for the first consecutive year
 Nation’s foremost electric-machinery manufacturer, according to the study on the Top 2,000 enterprises conducted by the Commonwealth magazine
- 2016 The diecasting center in Wuxi was opened with certification of LEED
 The automatic product center for motor stator was erected
 TECO’s 60 Anniversary, keeps moving forward to intelligent automation
 Social harmony award & Champion for the category of big-enterprise technology at Taiwan Corporate Sustainability Awards(TCSA) for the third consecutive year
 Acquired top 5% of Corporate Governance Evaluation for the second consecutive year
 “Award of Corporate Citizen” granted by Commonwealth magazine for the fifth consecutive year
 Nation’s foremost electric-machinery manufacturer, according to the study on the Top 2,000 enterprises conducted by the Commonwealth magazine
 Subscribed 100 million kWh green electricity which can decrease emission of 50,000 kg carbon
 Rotor with venting function acquired National Invention&Creation Prize
- 2017 Opening automatic stator manufacturing center to realize the spirit of “energy conservation, emissions reduction, intelligence and automation”
 Taiwan Corporate Sustainability Awards (TCSA) for the fourth consecutive year
 Acquired top 5% of Corporate Governance Evaluation for the third consecutive year
 “Award of Corporate Citizen” granted by Commonwealth magazine for the sixth consecutive year
 Nation’s foremost electric-machinery manufacturer, according to the study on the Top 2,000 enterprises conducted by the Commonwealth magazine
 TECO inked production/sales and technological cooperation agreement with Viedo 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.
- 2020 Selected as a constituent stock of DJSI Dow Jones Sustainability Index-Emerging Markets.
 The power system for electric vehicles won the Taiwan Excellence Gold Award.
 Chairman Chwen-Jy, Chiu won the "Outstanding Person Award for Corporate Sustainability".
 Induction Meal Delivery System" won the Silver Medal of the National Invention Award.
 Turnkey Zhangfang and West Island wind farm land project started.
 Won the Taiwan Enterprise Sustainability Award (TCSA) for seven consecutive years.
 Won the top 5% of corporate governance evaluation for six consecutive years.
 Won the National Corporate Citizenship Award for nine consecutive years.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

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

3.2 Directors and Management Team

3.2.1 Directors

March 31, 2021

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%	31,991,364	1.50%	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%	2,088,107	0.10%	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	0.10%	0	0	0	0	Ph.D of Electric & Engineering, University of Illinois	Chairman of Tecom Co., Ltd. & Director of TECO Westinghouse Manufacturing Company USA...	-	-	-
		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	0.71%	2,110,934	0.10%	0	0	Bachelor of Economics, Fu Jen Catholic University	Chairman of Sen Yeh Construction Co., Ltd. Independent Director of Aurotek Corporation	-	-	-
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 and An-Shih Food 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	None	-	-	-
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.	-	-	-
Director	ROC	Mao-Hsiung, Huang	2018.6.15	3	1972.5.12	18,486,633	0.92%	18,486,633	0.86%	5,839,071	0.27%	0	0	Master of Economics, University of Pennsylvania	Chairman of Century Development Corporation & Tong-An Investment.	-	-	-
Director	ROC	Yinge Int. Inv. Co.,Ltd	2018.6.15	3	2018.6.15	10,079,600	0.50%	14,454,698	0.68%	0	0	0	0	Master of Science from University of Warwick	Chairman of Yingshi Int. Inv. Co.,Ltd Director of Tahong Co., Ltd.	-	-	-
	ROC	Representative: Li-Chong, Huang	2021.1.	(Note2)	2021.1.1	0	0	0	0	0	0	0	0			-	-	-

Title	Nationality/ Companies Registry	Name	Date Elected	Term (Years)	Date First Elected (Note)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	ROC	Hung Shun Investment Co., Ltd	2018.6.15	3	2018.6.15	304,000	0.02%	1,104,000	0.05%	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	0.03%	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	0.91%	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	Director of TECOM 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%	31,991,364	1.50%	0	0	0	0	Master of Mechanical Engineering, University of Houston	Director of Jiangxi TECO Co., Ltd & Motovario S.p.A ...	-	-	-
	ROC	Representative : Hong-Hsiang, Lin	2018.6.15	3	2012.6.15	2,161,893	0.11%	2,137,813	0.10%	781,000	0.04%	0	0			-	-	-
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			-	-	-

Note 1: The representative of Yingte Int. Inv. Co., Ltd. changed from Po-chih, Huang to Li-Chong Huang on January 1st 2021

Note 2: Managing Director, Creative Senior Inc. and its representative, Mr. Yu-Ren Huang, resigned on March 18th 2021

Note 3: Director, Mr. Yung-Hsiang Chang, resigned on May 21st 2020

Data for Directors

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

Note 1: 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.

Note 2: The representative of Yingde Int. Inv. Co., Ltd. changed from Po-chih, Huang to Li-Chong Huang on January 1st 2021

3.2.2 Management Team

March 31, 2021

Title	Nationality	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Acting President	ROC	Chao-Chih, Lien	2001.8.1	829,273	0.04%	0	0.00%	0	-	Master of Civil Engineering, Stevens Institute of Technology	Chairman of Shanghai Teco Electric & Machinery Pte Ltd	-	-	-
Executive Consultant	ROC	Hong-Hsiang, Lin	1998.8.21	2,137,813	0.10%	781,000	0.04%	0	-	Master Mechanical Engineering, University of Houston	Director of Motovario S.p.A	-	-	-
Assistant Vice President	ROC	Sheng-chyuan, Lin	2017.1.1	1,224,889	0.06%	40,434	0.00%	0	-	Bachelor of Electric & Engineering, National Taiwan University	Chairman of Teco Electro Devices Co., Ltd.	-	-	-
Assistant Vice President	ROC	Sung-Pin, Chang	2015.8.12	61,519	0.00%	0	0.00%	0	-	Bachelor of Chemical Engineering, National Tsing Hua University	Chairman of Teco Technology (Vietnam) Co., Ltd	-	-	-
Assistant Vice President	ROC	Chi-Tseng, Peng	2017.1.1	0	0.00%	0	0.00%	0	-	Master of Telecom Engineering, University of Pittsburgh	Chairman 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 Teco Vietnam Co., Ltd	-	-	-
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	Director of Yatec Engineering Corporation	-	-	-
Assistant Vice President	ROC	Hank Horng	2019.1.1	13,316	0.00%	0	0.00%	0	-	EMBA of National Taiwan University; Master of Mechanical Engineering, National Cheng Kung University	Chairman of Taisan Electric Co., Ltd	-	-	-
Corporate Governance Officer	ROC	Shih-Hsiung, Chien	2019.6.1	0	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, 2020 / Unit: NT\$ thousands

[illegible]

Note 1: As there was no retirement in 2020, fund in the column is either provision or appropriation for retirement payment and is treated as expenses.

Note 2: Managing Director, Creative Senior Inc. and its representative, Mr. Yu-Ren Huang, resigned on March 18th 2021.

Note 3: The representative of Yingde Int. Inv. Co., Ltd. changed from Po-chih, Huang to Li-Chong Huang on January 1st 2021

Note 4: Director, Mr. Yung-Hsiang Chang, resigned on May 21st 2020

Bracket	Name of Directors(Note)			
	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	6,7	6,7	6,7	6,7
NT\$2,000,000 ~ Under NT\$3,500,000	5,15	5,15	5,15	5,15
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	9,10,11,12,13,14	9,10,11,12,13,14,15	9,10,11,12,13,14
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 : Shown by code of Directors in the previous table

Compensation of President and Vice President

December 31, 2020/ Unit: NTS thousands

December 31, 2020/ 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 26,877	Total 26,877	Total 1,512	Total 1,512	Total 28,885	Total 30,126	Total 34,172	-	Total 34,172	-	2.60%	2.64%	999
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	Chi-Tseng, Peng													
7	Assistant Vice President	Fei-Yuan, Kao													
8	Assistant Vice President	Kevin Yeh													
9	Assistant Vice President	Kuo-Min, Chen													
10	Assistant Vice President	Hank, Horng													
11	Corporate Governance Officer	Shih-Hsiung, Chien													

Note : Mr. Kevin Yeh resigned on January 1st 2021

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

2020.12.31/ 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 34,172	Total 34,172	0.97%
	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				

Note : Mr. Kevin Yeh resigned on January 1st 2021

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 (%)
2020	216,671	6.17%
2019	213,608	6.63%

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

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 11 meetings of the board of directors were held in 2020, 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	11	0	100 %	
Managing Director	Tong Ho Gloabl Investment Co., Ltd Representative : Chao-Kai, Liu	11	0	100%	
Managing Director	Cheng-Tsung, Huang	11	0	100%	
Managing Director	Creative Sensor Inc. Representative: Yu-Ren, Huang	11	0	100%	Resigned on March 18 th 2021
Managing & Independent Director	Wei-Chi, Liu	11	0	100%	
Independent Director	Jin-Fu, Chang	11	0	100%	
Independent Director	Ting-Wong, Cheng	11	0	100%	
Director	Mao-Hsiung, Huang	11	0	100%	
Director	Yinge Int. Inv. Co.,Ltd Representative : Po-Chih, Huang	11	0	100%	The representative. changed to Li-Chong Huang on January 1 st 2021
Director	Hung Shun Investment Co., Ltd Representative: Tzu-Yi, Kuo	11	0	100%	
Director	Tong-An Investment Co., Ltd. Representative : Shang-Wei, Kao	11	0	100%	
Director	Kuang Yuan Industrial Co., Ltd. Representative: Shih- Chien, Yang	11	1	91%	
Director	Tong Kuang Investment Co,Ltd Representitive: Hong-Hsiang, Lin	11	0	100%	
Director	Yubantec & Co., Ltd. Representative: Tung-Hai, Kao	11	0	100%	
Director	Yung-Hsiang, Chang	1	5	17%	Resigned on May 21 st 2020 Shall attend by 6 times

Other mentionable items:

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

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

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

- i. 25-12 Board Meeting: 2020.2.24

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

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
<p>Contents of the case: Recognition of signing leasing contract with the subsidiaries, Tong-An Asset Management. Reason for avoidance of conflict of interest and the status of voting: Chwen-Jy Chiu is the director of Tong-An Asset Management, abstained from the discussion and voting for the case based upon interest conflict, and presided over by managing & independent director, Wei-Chi, Liu. Cheng-Tsung, Huang is the director of Tong-An Asset Management, abstained from the discussion and voting for the case based upon interest conflict. Mao-Hsiung, Huang is chairman of Tong-An Asset Management. Other directors passed the case without objection.</p> <p>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.</p>					
<p>ii. 25-13 Board Meeting: 2020.3.17</p> <p><u>Director's Name: Yu-Ren Huang (Managing Director), Po-Chih Huang (Director)</u></p> <p>Contents of the case: Donation to "TECO Technology Foundation" for various events in 2020. Reason for avoidance of conflict of interest and the status of voting: Yu-Ren Huang (Managing Director) and Po-Chih Huang (Director) are the directors of TECO Technology Foundation, abstained from the discussion and voting for the case based upon interest conflict.</p> <p>Resolution: after consulting with other attending directors by chairman, Chwen-Jy, Chiu, the case was approved by a meeting of the board of directors subject to the total amount not exceeding NT\$16 million in principle and could be adjusted according to the company's profit this year and various events held.</p> <p><u>Director's name: Chwen-Jy, Chiu (Chairman), Chao-Kai, Liu (Managing Director), Yu-Ren Huang (Managing Director), Mao-Hsiung, Huang (Director), Hong-Hsiang, Lin (Director)</u></p> <p>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., TECO International Investment Co., Ltd., president of Sankyo Co, Ltd., chairman of Motovario S.p.A., abstained from the discussion and voting for the case based upon interest conflict, and presided over by managing & independent director, Wei-Chi, Liu. Chao-Kai, Liu is the director of TECO International Investment Co., Ltd., Motovario S.p.A, 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, abstained from the discussion and voting for the case based upon interest conflict</p> <p>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.</p> <p><u>Director's name: Chwen-Jy, Chiu (Chairman), Chao-Kai, Liu (Managing Director), Mao-Hsiung, Huang (Director)</u></p> <p>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 chairman of TECO Westinghouse Motor Company and TWMM, chairman of Asia Innovative Technology (Xiamen) Co., Ltd., director of UVG Investment Co.Ltd., director of Qingdao Teco Innovation, abstained from the discussion and voting for the case based upon interest conflict, and presided over by managing & independent director, Wei-Chi, Liu. Chao-Kai, Liu is the director of TECO Westinghouse Motor Company, director of Asia Innovative Technology (Xiamen) Co., Ltd., chairman of Qingdao Teco Innovation, director of UVG Investment Co. Ltd., Mao-Hsiung, Huang is the director of TECO Westinghouse Motor Company, director of Asia Innovative Technology (Xiamen) Co., Ltd., director of Qingdao Teco Innovation, abstained from the discussion and voting for the case based upon interest conflict.</p> <p>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.</p>					

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
iii. 25-18 Board Meeting: 2020.7.2	<p><u>Director's Name: Chwen-Jy, Chiu (Chairman)</u> Contents of the case: Capitalization of retained earnings of Shanghai Teco Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy, Chiu is the director of Shanghai Teco, 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,</p> <p>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.</p> <p><u>Director's Name: Chwen-Jy, Chiu (Chairman), Cheng-Tsung, Huang (Managing Director), Yu-Ren Huang (Managing Director), Mao-Hsiung, Huang (Director)</u> Contents of the case: Reconstruction of Songjiang building Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy Chiu is the director of Tong-An Asset Management, abstained from the discussion and voting for the case based upon interest conflict, and presided over by managing & independent director, Wei-Chi, Liu. Cheng-Tsung, Huang is the director of Tong-An Asset Management, Mao-Hsiung, Huang is chairman of Tong-An Asset Management, Yu-Ren, Huang is the one degrees of kinship of chairman of Tong-An Asset Management, abstained from the discussion and voting for the case based upon interest conflict</p> <p>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.</p> <p><u>Director's name: Chwen-Jy, Chiu (Chairman), Chao-Kai, Liu (Managing Director), Hong-Hsiang, Lin (Director)</u> Contents of the case: Provision of loans to Motovario S.p.A. Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy Chiu is the 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 and Hong-Hsiang, Lin are the directors of Motovario S.p.A., abstained from the discussion and voting for the case based upon interest conflict.</p> <p>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.</p>				
iv. 25-20 Board Meeting: 2020.11.13	<p><u>Director's Name: Chwen-Jy, Chiu (Chairman), Hong-Hsiang, Lin (Director)</u> Contents of the case: GTM's lending to TNL. Contents of the case: Provision of loans to Motovario S.p.A. Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy Chiu is the chairman of GTM, abstained from the discussion and voting for the case based upon interest conflict, and presided over by managing & independent director, Hong-Hsiang, Lin is GTM, abstained from the discussion and voting for the case based upon interest conflict.</p> <p>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.</p>				
v. 25-22 Board Meeting: 2020.12.22	<p><u>Director's Name: Chwen-Jy, Chiu (Chairman), Cheng-Tsung, Huang (Managing Director), Mao-Hsiung, Huang (Director)</u> Contents of the case: Land development of Xinchuang factory Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy Chiu is the director of Tong-An Asset Management, abstained from the discussion and voting for the case based upon interest conflict, and presided over by managing & independent director, Wei-Chi, Liu. Cheng-Tsung, Huang is the director of Tong-An Asset Management, Mao-Hsiung, Huang is chairman of Tong-An Asset Management, abstained from the discussion and voting for the case based upon interest conflict</p>				

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
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	
By external professional & Independent Institute every three year	2020.1.1~2020.12.31	Composition, instruction, authorization, monitoring and communication of Board, internal control and risk management, self discipline of Board and others, such as Board meeting, support system...	Invite Taiwan Corporate Governance Association to execute through "Data Review", "On line Questionnaire", and "On site Interview"	1.The board of directors should plan the inheritance and development of the board of directors, and regularly review the composition and division of labor of the existing board of directors, as well as whether the selection, nomination and appointment of members are rigorous and thorough. 2.The board of directors should set and adjust the company's goals and corresponding strategies, and effectively manage and ensure that the management department implements the strategies to achieve the goals. 3.The board of directors, through the division of responsibilities and authorization to the management department, ensures that the company follows the established policies, systems, goals and strategies to implement them. An effective and real-time return mechanism should be established to serve as a reference for decision-making or management adjustments. 4. The supervision of the board of directors should be implemented by setting up independent internal audit staff, relying on external professional accountants, and other effective mechanisms to ensure reasonable corporate compliance and effective operation 5.The communication objects of the board of directors include its own members of the board of directors, managers, shareholders, and other stakeholders; attention must be paid to the issues of communication, communication and feedback mechanisms, and the culture of the board of directors. 6.The board of directors should identify important risk issues, define risk tolerance, and establish a sound internal control system to ensure the results of corporate operations.	

Frequency	Period	Scope	Method	Content
				<p>7. The board of directors must regularly evaluate its own participation and performance, and review and improve it, hoping to respond to changes in the business environment.</p> <p>8. Others include board meetings, support systems, etc., including the establishment of corporate governance personnel, agenda planning, meeting preparations, information provision, meeting records and post-meeting tracking management.</p>
Once per Year	2020.1.1~ 2020.12.31	Self-evaluation of Performance of Board member	Internal self-evaluation of the board of directors " Self-evaluation Questionnaire of Board Member Assessment "	Self evaluation items for board members, including a total of 23 evaluation indicators on 6 dimensions: personal understanding on the company's goal and mission, acknowledgement of duty of directors, participation in the company's operation, internal relationship and communication, expertise and continuous training of directors and internal control.
Once per Year	2020.1.1~ 2020.12.31	Operation status of functional committees(Audit Committee, Remuneration Committee, Corporate Governance and Sustainability Committee, Research & Innovation Committee)	Internal self-evaluation of the board of directors " Self-evaluation Questionnaire of Functional Committee Assessment "	Evaluation items for overall performance of functional committees: Participation in the company's operation, acknowledgement of duty of functional committees, quality improvement of decision making of functional committees, composition and selection of members of functional committees, internal control.
Once per Year	2019.1.1~ 2019.12.31	Performance Evaluation of Board	Internal self-evaluation of the board of directors " Self-evaluation Questionnaire of Board Assessment "	The measurement items of the " Self-Assessment Questionnaire of Board Assessment " include a total of 48 evaluation indicators on 5 dimensions: participation in the company's operations, quality improvement of the board's decision-making, board composition and structure, director selection and continuous training, and internal control.
Once per Year	2018.1.1~ 2018.12.31	Performance Evaluation of Board	Internal self-evaluation of the board of directors " Self-evaluation Questionnaire of Board Assessment "	

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

i. 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 (2019.5.13) 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.

ii. Strengthen the evaluation of board performance

In order to implement corporate governance and clearly define performance targets to improve the function and operational efficiency of the board of directors, the company has passed a resolution to amend the company's "Rules Governing the Board Performance Evaluation" in 25-20th board of directors meeting (2020.11.13). The main focus of the amendment is: adding an evaluation method for individual directors' self-evaluation; executive directors of external institutions; relevant standards for board performance evaluation; performance evaluation indicators are regularly reviewed by the remuneration committee and used as the basis for salary remuneration.

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 2020:

1. Review financial reports

The company's board of directors submitted the 2019 annual financial statements (including the consolidated financial statements) which has been audited and certified by accountants Yu-Lung Wu and Chien-Hung Chou entrusted by the Board of Directors. Together with annual business report and earning distribution motion, they are reviewed and approved by the 12th meeting of the 3rd Audit Committee (2020.3.13), were submitted to the 13th meeting of the 25th Board of Directors (2020.3.17) for resolution and were acknowledged by general shareholders meeting 2020 (2020.5.11).

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 2019 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 32 level units. The internal control self-assessment operation was completed at 2020.1.31. 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 2020.2.24. 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 12th

meeting of the 3rd Audit Committee (2020.3.12), and submitted to the Resolution of the 13th meeting of the 25th Board of Directors (2020.3.17), the "Internal Control System Statement" for 2020 was issued.

A total of 9 meetings of the Audit Committee were held in 2020, and the Audit Committee attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Convener & Chairman	Ting-Wong, Cheng	9	0	100%	
Member	Wei-Chi, Liu	9	0	100 %	
Member	Jin-Fu, Chang	9	0	100%	
Other mentionable items:					
1. If there is the following situation referred to the operation of Audit Committee, the date of Audit Committee meeting, period, contents of the case, opinion of all members, and company’s respond toward Audit Committee members should be narrated					
i. Items specified in article 14-5 of Securities and Exchange Act: Please see the following charts					
ii. Other items resolved by the audit committee member with support of two thirds of directors but without approval of the auditing committee.: None					
Board Meeting	Contents of the case and follow-up		Article 14-5 of Securities and Exchange Act	Other items resolved by the audit committee member with support of two thirds of directors but without approval of the audit committee	
25-13 Board Meeting 2020.3.17	Discussion on business report, parent company only financial statements and consolidated financial statements of 2019		v		
	Discussion on Profit distribution of 2019		v		
	Internal audit report and self assesment of internal control of 2019		v		
	Discussion on renewal of credit line of financial Institutions in 2019		v		
	Discussion on provision of endorsement and guarantee for the affiliates and overseas subsidiaries		v		
	Discussion on provision of loans among the company and affiliates		v		
	Discussion on issuance of unsecured common corporate bond		v		
	Amendment to “Procedures for Endorsement and Guarantee”		v		
	Amendment to “Procedures for Lending of Capital to Other Parties”		v		
	The Resolution of Audit Committee (2020.3.19): Discussion on the company’s 2019 business report, financial statements (consolidated and parent company alone)—this case is accompanied by a resolution after the chairman consults all the members present. The management department is requested to adopt the accountant’s report at its discretion. The inspection findings and reminders in the report, and the rest are passed without objection, and submitted to the board of directors for resolution. Discussion on 2019 profit distribution—after the chairman consults all the members present, this proposal is proposed to the board of directors with two senarios. And suggest the board to evaluate by taking the company's capital allocation and the expectations of the shareholders into consideration. For the remaining cases, passed by all attendee committee members How the company handle opinion of Audit Committee: The company’s 2019 profit distribution —this case has been consulted all attending the directors by the chairman, the resolution passed the cash dividend to be distributed in the second plan (NT\$0.99). The remaining cases were approved by all the directors present.				
25-14 Board Meeting 2020.3.31	Discussion on “cash reduction of capital and refund of shareholders’ shares, with a capital reduction ratio of 10%” proposed by the shareholder, PJ Asset Management Co., Ltd., according to Article 172-1 of the Company Law		v		
	Discussion on the company's long-term fund-raising plan		v		

	<p>The Resolution of Audit Committee (2020.3.31): Discussion on “cash reduction of capital and refund of shareholders’ shares, with a capital reduction ratio of 10%” proposed by the shareholder , PJ Asset Management Co., Ltd., according to Article 172-1 of the Company Law: The case was consulted with all attending the committee by the chairman, due to the company’s capital needs and the major uncertainties in the operation caused by the epidemic, it is not suitable to reduce the capital currently, but due to the relevant provisions of the Company Law, the case was still submitted to the board of directors for discussion.</p> <p>Discussion on the company's long-term fund-raising plan: After the chairman’s consultation with all the members present in this case, in order to enhance the company’s shareholders’ interest and business performance, introduce strategic investors to increase shareholders’ benefit and return on investment, and it is proposed to ask the board of directors to give priority to consider</p> <p>How the company handle opinion of Audit Committee: Discussion on “cash reduction of capital and refund of shareholders’ shares, with a capital reduction ratio of 10%” proposed by the shareholder , PJ Asset Management Co., Ltd., according to Article 172-1 of the Company Law: The case was consulted with all attending directors by the chairman, considering the company’s business development, the uncertainty caused by the new crown virus epidemic, and the additional fund need to stabilize the supply chain, coupled with the weak demand of the oil and gas industry in the short term, this proposal may have an adverse impact on operations, and neither the board of directors nor the audit committee support it. But in order to comply with the requirements of the company law, the board of directors passed a resolution to send the case to the shareholders meeting for referendum</p> <p>Discussion on the company's long-term fund-raising plan: passed by all attendee directors</p>		
25-15 Boarding Meeting 2020.4.6	Discussion on private placement of type A special shares and/or type B special shares and/or type C special shares	v	
	Discussion on private placement of common shares	v	
	The Resolution of Audit Committee (2020.4.6): Passed by all committee members		
	How the company handle opinion of Audit Committee: Passed by all attendee directors		
25-18 Boarding Meeting 2020.7.2	Discussion on the Reconstruction of Songjiang Building in Taipei	v	
	Discussion on provision of loans to Motovario S.p.A.	v	
	The Resolution of Audit Committee (2020.7.2): Passed by all committee members		
	How the company handle opinion of Audit Committee: Passed by all attendee directors		
25-19 Boarding Meeting 2020.8.14	consolidated financial statements for the first half of the year 2020	v	
	Discussion on the investment plan of the solar power plant business	v	
	The Resolution of Audit Committee (2020.8.7): Passed by all committee members		
	How the company handle opinion of Audit Committee: Discussion on the investment plan of the solar power plant business—this case has been consulted with all attendee directors by the chairman, the board requested the management team to incorporate risk assessment of Taipower’s monopoly and Taiwan’s and Japan’s green power market status for in-depth analysis. Later, the follow-up case was submitted to the board of directors for discussion in the form of an individual project. The remaining cases were approved by all the directors present.		
25-20 Boarding Meeting 2020.11.13	Change of accounting chief	v	
	Discussion on GTM’s lending to Teco Electric & Machinery B.V (TNL)	v	
	The Resolution of Audit Committee (2020.11.9): Passed by all committee members		
	How the company handle opinion of Audit Committee: Passed by all attendee directors		
25-21 Boarding Meeting 2020.11.20	In order to cope with the development of the group, it is planned to issue new shares by increasing capital for share swap with Walsin Lihwa shares.	v	
	The Resolution of Audit Committee (2020.11.20): Passed by all committee members		
	How the company handle opinion of Audit Committee: This case was approved after the chairman consulted all the directors present, and agreed to launch the share swap. And the board requested to negotiate with the other party about the specific business cooperation content in a written agreement within one week after signing the contract and establish a high-level working group to ensure implementation of the plan.		

25-22 Boarding Meeting 2020.12.22	Auditing paln for 2021	v	
	Land developemtn of Xinchuang Factory	v	
	Discussion on independance and adequancy of CPA	v	
	Discussion on remuneration of CPA	v	
	The Resolution of Audit Committee (2020.12.14): Auditing paln for 2021: After the chairman consulted all attending members, the committee suggested to include the information security related items into anuual audit plan and passed other items without objection, then submitted the revised one to the board of directors for resolution Discussion on Land developemtn of Xinchuang Factory: After the chairman consults all the members present, it is proposed to give priority to the joint construction method according to the agreement. the case was submitted to the board of directors for resolution.		
	The remaining cases were approved by all the directors present.		
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 accountants. 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 accountant 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 2020 are showed as follows.			
Audit Committee	Communication Item	Communication Result	
3-12 (2020.3.13)	Report for 2020 Internal Audit	Notification. No other suggestions.	
	2019 Self Evaluation on Internal Audit (Announcement of Internal Control)	Approval after the chairman consulted all attending members, then submitted to the board of directors for resolution	
3-15 (2020.5.4)	Report for 2020 1Q Internal Audit	Notification. No other suggestions.	
3-17 (2020.8.10)	Report for 2020 2Q Internal Audit	Notification. No other suggestions.	
3-20 (2020.12.14)	Report for 2020 3Q Internal Audit	Notification. No other suggestions.	
	Audit Project for 2021	After the chairman consulted all attending members, the committee suggested to include the information security related items into anuual audit plan and passed other items without objection, then submitted the revised one 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 2020 are showed as follows.			
Audit Committee	Communication Item	Communication Result	
3-12 (2020.3.13)	Report for 2019 consolidate and parent company only financial statements	Approval after the chairman consulted all attending member, then submitted to the board of directors for resolution	
	Key Points for Revision of Corporate Governance Evaluation Index and the impact of the update of the Securities Regulatory Act and the Tax Act	Notification. No other suggestions.	
3-17 (2020.8.10)	Report for 2020 2Q consolidate financial statements	Approval after the chairman consulted all attending members, then submitted to the board of directors for resolution	
	The impact of COVID-19 on financial reporting	Notification. No other suggestions.	

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 seven amendments by Board of directors from 2013 to 2020, which has been posted on the Market Observation Post System and the company’s website.	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”
B. The company’s shareholding structure and shareholders’ equity a. Whether the company has formulated and implemented internal procedure for handling suggestions, questions, disputes, and litigation of shareholders. b. Whether the company has got hold of the list of major shareholders and their ultimate controllers. c. Whether the company has established and implemented risk-management and firewall mechanism pertaining to affiliates. d. Whether the company has formulated internal norms forbidding the company’s insiders to take advantage of unpublicized information in trading in securities.	V		a. The company has installed stock-affairs unit, which handles shareholders’ suggestions or disputes, among others. b. The company has got hold of the list of major shareholders and their ultimate controllers, which is updated regularly. c. The company has clear differentiation of rights and responsibilities for personnel, assets and financial management with affiliated companies, regularly checks the accounting and internal control systems of affiliated companies, and establish appropriate risk control and firewall mechanisms; 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". d. The company has formulated internal norms “Preventing Insider Trading Rules and Major Internal Information Processing Procedures” and “Rules of Ethical Conduct to Directors and Managerial Officers” forbidding insiders to take advantage of unpublicized information in trading in securities.	a. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”. b. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”. c. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”. d. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”.
C. Composition and duties of the board of directors a. Whether the board of directors has formulated and achieved diversification for the composition of its membership.	V		a. In line with the policy of membership diversification for the board of directors, as stipulated in the "Corporate Governance Best Practice Principles." Include but not restrict the following two standards: i. Basic condition: gender, age, nationality and culture ii. Professional knowledge and skill: professional background (such as law, accounting, industry, finance, marketing and technology), professional skill and industrial experience.	a. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Items	Implementation status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summaried Explanation	
			<p>Management target: The members of the board of directors include at least one female director; the director who concurrently serves as the manager of the company does not exceed one third of the number of directors; no more than two of the directors have a relationship within the scope of spouse or second-degree kinship.</p> <p>At present, there are 15 members of the 25th board of directors (including 3 independent directors). Each term is 3 years and can be re-elected. One of them is a female director (accounting for 6.67%); one is a Japanese director (accounting for Ratio is 6.67%); two directors have manager status (13.33%); the two have relatives within the second degree (13.33%); independent directors account for 20% (the term of two independent directors is less than 3 years, and the term of an independent director is 4-6 years).</p> <p>Members of the board of directors are all outstanding figures in industry and academia, with abundant experience in corporate governance and industrial technologies, as well as expertise in money, finance, accounting, and law. Members of the Board attend the BOD meeting actively and attendance in person in 2020 reaches at 93.84%. The members monitored and understand the execution of business plans effectively.</p>	
b. Whether the company has installed on its own various functional committees other than the compensations committee and the audit committee.			b. In order to establish a good governance system, rationalize and strengthen management functions, fulfill corporate social responsibilities, and attain sustainable development, the 25 th 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, as well as submit the result to the board for the reference to the remuneration and re-election nomination of individual director.			c. In order to materialize corporate governance and clearly delineate performance objective, for enhancing the function and operating efficiency of the board of directors, the board of directors resolved to formulate the company's "Rules Governing the Board Performance Evaluation" on November 13, 2015, in line with the stipulation of article 37 of "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies". Since 2015, at the end of every year, the secretariat of the board of 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 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	
			<p>BOD and issue external evaluation report every three years.</p> <p>On the 20th meeting of 25th board (2020.11.13) passed to amend the company's "Rules Governing the Board Performance Evaluation", the main revision points are: new Evaluation of individual directors' self-evaluation Method; external agency to perform board performance evaluation related standards; performance evaluation indicators regularly reviewed by the compensation committee and acted as Basis of salary remuneration</p> <p>"Board of Directors Performance Evaluation Team" of Taiwan Corporate Governance Association was invited for 2020 board's performance evaluation on December 29, 2020 via "Data View", "Online Self-assessment Questions" and "on-site interviews" and other methods.</p> <p>The association is an independent professional corporate governance counseling and evaluation agency, referring to the latest guiding principles of corporate governance of the Organization for Development (OECD) and considering Taiwan's legal environment and corporate characteristics, it launched in corporate governance system evaluation and appraisal services since 1994, and has served more than 300 times.</p> <p>The scope of review includes: the composition of the board of directors, guidance of the board of directors, authorization of the board of directors, supervision of the board of directors, communication of the board of directors, internal control and risk management, the board's self-discipline and others, such as board meeting, supporting system and so on.</p> <p>The evaluation results are as follows:</p> <p>(1) The manaing director meeting is convened once every 2 months for consultation, communication and discussion in the early stage of the future business plans and major agends. After building a consensus, then submit the proposals to the board of directors' meeting to make decisions and it improves the efficiency of meetings.</p> <p>(2). Audit committee effectively performs the function of guidance and supervision. The Accountants who certified the financial reports attend the board meeting and also attend audit committee twice a year to communicate on the company's finance, accounting and internal control, etc.</p> <p>(3). The compensation committee reviews the current salary policy by considering the change of business environment, suggests</p>	

Items	Implementation status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summaried Explanation	
			<p>adjustment on the current salary structure to optimize the overall salary system, pays attention to talent training and succession system to give full play to the function of compensation committee.</p> <p>(4). The Research and Innovation Committee invites external professional scholars to serve as committee members to provide international information, combined with Teco Group Research Institute, launches market research based on strategic directions and forward-looking technology, defines the product directions via systematic thinking to plan the group's short, medium and long-term product development blueprint to enhance the competitiveness.</p> <p>Recommendations for improvement:</p> <p>(1). Revised internal norms of " Rules Governing the Board Performance Evaluation " in 2020": it is recommended to add the scoring standard to the self-assessment questionnaire indicators in the attached table for directors to follow.</p> <p>(2). " Orientation for New Director ": Report to new directors on its organizational structure and business responsibility, development plan for the next three years by top director of each business department. It is proposed to establish the directors' manual and formulate the aforementioned activities as internal norms to further strengthen the company's related systems of corporate governance.</p> <p>In addition, the secretary's office of the board of directors launched 2020 Directors' self-evaluation project via " Self-evaluation Questionnaire of Board Member Assessment ". Self evaluation items for board members, including a total of 23 evaluation indicators on 6 dimensions: personal understanding on the company's goal and mission, acknowledgement of duty of directors, participation in the company's operation, internal relationship and communication, expertise and continuous training of directors and internal control. Meanwhile, the board secretary's office also launched "Self-evaluation Questionnaire of Functional Committee Assessment". Evaluation items for overall performance of functional committees: Participation in the company's operation, acknowledgement of duty of functional committees, quality improvement of decision making of functional committees, composition and selection of members of functional committees, internal control.</p> <p>Evaluation result: the self-evaluation of the members of the company's board of directors, the evaluation of audit committee,</p>	

Items	Implementation status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summaried Explanation	
d. Whether the company has regularly evaluated the independence of certified public accountants.			<p>compensation committee and corporate governance & sustainability committees are all "excellent"; only Research and innovation committee was evaluated it as "good". The above 2020 annual board performance evaluation report has been submitted to the 24th meeting of the 25th term board (2021.3.23)</p> <p>Future improvement plan:</p> <p>(1). Revise " Rules Governing the Board Performance Evaluation " in 2021 to add the scoring standard to the self-assessment questionnaire indicators in the attached table.</p> <p>(2). Establish the directors' manual in 2021 and formulate " Orientation for New Director " as internal norms</p> <p>Each year's "Evaluation result of Board Performance Evaluation" will be offered to "Compensation Committee" and "Corporate Governance and Sustainability Committee" for reference for remuneration and re-election nomination of individual director.</p> <p>d. The 23rd board of directors also approved at its 19th meeting Dec. 22, 2014) the company's "measures for the selection and evaluation of certified public accounts," calling for regular review of the independence and adequacy of certified public accountants. The company's financial and accounting units evaluates first, then submits to Audit committee for review and Board meeting for approval. CPAs Wu, Yu-Lung and Chou, Chien-Hung of PwC Taiwan ,according to the CPA evaluation scale, were 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 11th meeting (Dec. 24nd, 2019) and the 25th board of directors at the 22th meeting (Dec. 22, 2020)</p>	d. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”
D. Does the listed company allocate adequate and enough corporate governance staffs and assign a corporate governance officer 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 minutes for board meeting and AGM based upon the regulation	V		The Company established the "Corporate Governance Center" in July 2015 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 (2019.5.13), it was decided to appoint the Director of the "Corporate 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	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “

Items	Implementation status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summaried Explanation	
			<p>manager in accordance with the company's articles of incorporation.</p> <p>The main duties are handling in a legal manner affairs related to the meetings of the board of directors and shareholders' meeting, production of minutes of the meetings of the board of directors and shareholders' meeting, assistance for directors in assuming their offices and continual training, and undertaking continuing provision of data needed by directors in the execution of their duties, assistance for directors in legal compliance, safeguard of shareholders' benefits, and strengthening of the function of the board of directors.</p> <p>The implementation of corporate governance 2020 has summited to the 1-7th meeting of Corporate Governance and Sustainability Committee on January 13th, 2021 as well as 25-22nd BOD meeting on March 2nd, 2021. The report is showed as following:</p> <ul style="list-style-type: none"> i. Arrangement of the meetings of the board of directors according to law/regulation: Notify all directors seven days in advance and provide related data, to facilitate their understanding of items on the agenda; remind directors avoiding interest of conflict, should the items be related to their interests or the interests of legal entities they represent; distribute minutes for the meeting within 20 days. ii. Arrangement of shareholders' meeting according to law/regulation: Register date for shareholders' meeting by legal deadline, produce and submit notice, manual, and minutes of the meeting by deadline, and change corporate registration after revision of corporate charter or election of directors and supervisors. iii. Based upon “Regulations Governing the Board Performance Evaluation” to launch performance evaluation of periodically. Collect the related information of 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 accountant to attend meetings of the board of directors at least twice a year to exchange opinions with directors on annual report and 	

Items	Implementation status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summaried Explanation	
			<p>semiannual report, as well as the updating of IFRSs, securities laws/regulations, and tax laws/regulations.</p> <p>v. Oversee "administrative platform for corporate governance," based on the evaluation indicators of the "corporate governance evaluation," drafted by the Taiwan Stock Exchange, regularly review and discuss matters related to corporate governance with all units, and formulate the goals of corporate governance, and the platform regularly tracks the implementation and results of the responsible unit.</p> <p>vi. Handle related issue about investor relations: investor relations team provides AGM information, material information announcement, financial statements, presentation material about finance and operation, information about domestic and overseas conferences.</p> <p>According to article 36-3 of " Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets," 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 2020.12.31, Director Sih-Hsiung, Chien has completed 30 hours (18hours in 2020, please refer to the 2020 manager training program).</p>	
E. Whether the company has established communications channel for stakeholders (include but not restrict shareholders, employees, customers and suppliers) and dedicated sector for stakeholders on its website, in addition to responding properly to key issues on corporate social responsibility concerned by stakeholders.	V		<p>The company attaches great importance to stakeholders' attention to issues and communication channels. It has smooth communication channels with stakeholders in various fields such as shareholders, employees, customers, suppliers, local communities, NGOs, and government units. Regular / irregularly publish information or communicate directly with stakeholders, respect and maintain their legitimate rights and interests, and implement corporate governance integrity and transparency (see Note 4: Issues which stakeholders focus and communication channel).</p> <p>Set up a corporate social responsibility / TECO sustainable commitment / stakeholder communication area on the company's website, and a dedicated person will respond to important corporate social responsibility issues that stakeholders are concerned about.</p>	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “
F. Whether the company has entrusted professional stock-affairs agent to handle shareholder' meeting.	V		<p>The company has entrusted a professional stock agency to handle the affairs of the shareholders' meeting. Stock agency: Taishin International Commercial Bank's stock agency (tel: 886-2-2504-8125, address: B1, No. 96, Section 1, Jianguo North Road, Zhongshan District, Taipei City)</p>	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies“

Items	Implementation status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summaried Explanation	
<p>G. Information publication</p> <p>a. Whether the company has installed website for publication of information on finance, business, and corporate governance.</p> <p>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).</p> <p>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?</p>	V		<p>a. The company institutes website for disclosing the status of finance and corporate governance. The address of the corporate website: www.teco.com.tw</p> <p>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.</p> <p>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 consolidated entities, temporarily not been able to announce and declare the annual financial report within two months after the end of the fiscal year. 2020 Annual financial statements have been announced and declared on 2021.3.24.</p>	<p>a. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”</p> <p>b. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”</p> <p>c. Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”</p>
<p>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, and supervisors).</p>	V		<p>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.</p> <p>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.</p> <p>c. The company has set up a unit dedicated to periodic disclosure the company's major business information, boosting information transparency, as well as a feedback mechanism for accepting suggestions of</p>	<p>Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”</p>

Items	Implementation status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summaried Explanation	
			<p>investors on the company's development, in addition to active participation in investor conferences, so that investors can have firm grip on the company current business status and development planning.</p> <p>d. The company's representatives visit each supplier at least twice a year. The company has been pushing the establishment of e-procurement platform, as an effective communications channel for suppliers worldwide. The business group has also formulated a uniform list of qualified sales agents.</p> <p>e. To uphold the rights of stakeholders, they can express their suggestions and complaints via telephone, fax, or e-mail, which will be handled by designated staffers, and employees are also encouraged to report violations of laws or regulations via dedicated mailbox.</p> <p>f. In 2020, 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 97 hours, on top of total study time of 63 hours for managers.</p> <p>g. The company has dedicated to the establishment of a complete risk-management system, actively considering 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 2020.</p> <p>h. The company has dedicated to the provision of quality products with high price-performance ratio to customers. In order to meet customer demands for products and services, the company has also endeavored to better understand their expectation for the company and its products, via multiple channels, including dedicated customer service phone lines, seminars, field visits, after-sales tracking, telephone calls, corporate website, and media, so as to make products and services better fit customer's needs.</p> <p>i. The company has taken out liabilities insurance for directors covering possible liabilities related to their responsibilities during their tenure to lower the risks of major loss for the company and shareholders which could be caused by the mistake or negligence of directors since 1999. Report on the insurance, including insurance amount</p>	

Items	Implementation status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summaried Explanation	
			(US\$10 million), coverage (all the directors), premium rate, and insurance period (2020 and 2021) was delivered at the 12 th meeting of the 25 th board of directors (2020.2.24) and 23 th meeting of the 25 th board of directors.(2021.3.2)	
I. Please illustrate the improvement based upon the latest Corporate Governance Evaluation Result released by Taiwan Stock Exchange and measures for those that haven't improved	V		<p>a. The company was granted top 5% evaluation in corporate-governance evaluation for seven years running since fiscal 2015.</p> <p>b. The situation has been improved: In order to diversify the schedule of the shareholders' meeting and facilitate shareholders' participation in the shareholders' meeting, the company started to hold regular shareholders' meetings before the end of May since 2020.</p> <p>c. matters needed to be improved and its measures: In order to enable investors to obtain sufficient and correct information in a timely manner, the company's financial report will be approved by the board of directors or submitted to the board of directors 7 days before the announcement deadline, and the financial report will be announced within 1 day after the approval date or the reporting date.</p>	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Note 1: Implement the policy of diversification in the board

Name Name	Basic Condition and Value		Back-ground	Knowledge and Skill							
	Sex	Nationality		Judg-ment for operation	Analytical Skills for accounting and finance	Man-agement	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 (Note 1)	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 : Li-Con, Huang (Note 2)	M	Taiwan	Engineering	v	v	v	v	v	v	v	v

Name Name	Basic Condition and Value		Back-ground	Knowledge and Skill							
	Sex	Nationality		Judgment for operation	Analytical Skills for accounting and finance	Management	Crisis Management	Industry knowledge	International outlook	Leading Ability	Decision Making
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 (Note 3)	M	Taiwan	Industrial Management	v	v	v	v	v	v	v	v

Note 1: Managing Director, Creative Senor Inc. and its representative, Mr. Yu-Ren Huang, resigned on March 18th 2021

Note 2: The representative of Yingde Int. Inv. Co., Ltd. changed from Po-chih, Huang to Li-Chong Huang on January 1st 2021

Note 3: Director, Mr. Yung-Hsiang Chang, resigned on May 21st 2020

Note 2: 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 three meetings of the committee in 2020:

Title	Name	Times of attendance	Attendance rate (%)	Note
Convener and chairman	Wei-Chi, Liu	3	100%	Financial management, industry-government education and social service experience
Member	Ting-Wong, Cheng	3	100%	Financial Management and Accounting
Member	Jin-Fu, Chang	3	100%	Electrical Engineering and Information Science
Member	Chwen-Jy, Chiu	3	100%	Finance and Management
Member	Mao-Hsiung, Huang	3	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: none.		
2. Opposition or reservation of members on record or in written statement against resolutions of corporate governance and sustainability committee: none.		
3. The main items reviewed are summarized below:		
corporate governance and sustainability committee	Item	Result
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 "Legal and Compliance Division" 2020 work plan.	(1) Notification (2) Notification (3) Approval without objections after the chairman consulted all attending members, then submitted to the board of directors for resolution.
1-5 (2020.8.10)	(1) The company's "CSR Committee", "Corporate Governance Center" and "Legal and Compliance Division" 2020 work plan's implementation. (2) Management plan of TECO Group's Intellectual Property	(1) Notification (2) Approval after review, then submitted to the board of directors.
1-6 (2020.12.10)	(1) 2020 CSR implementation result and 2021 development focus (2) Proposal of "Criteria for nominating the candidate of board of director"	(1) Notification (2) Approval without objections after the chairman consulted all attending members, then submitted to the board of directors for resolution.

Note 3: Evaluation for CPA

A. Requirement of Independence		
	Item	Result
1	Do certified public accountants, their spouses, or minor children have relationship of investment or financial-interest sharing with the company?	No
2	Whether certified public accountants, their spouses, or minor children have borrowing or loaning relationship with the company? It doesn't cover cases involving financial institutions as clients for normal dealings.	No
3	Whether certified public accounts or members of auditing service panel serve as the company's directors, managing staffers, or other positions with significant influence on the audited cases at present or recent two years?	No
4	Whether certified public accountants or members of auditing service panel undertake promotion or brokerage of stocks or other securities floated by the company?	No
5	Whether certified public accountants or members of auditing service panel represent the company in defending cases involving the company and third parties or other disputes?	No
6	Whether certified public accounts or members of auditing service panel are spouses, direct blood relatives, direct relatives by marriage, or relatives within second-degree kinship of the company's directors, managerial staffers, or employees with significant influence on audited cases?	No
7	Whether there are certified public accountants relieving joint practice within one year who now serve as the company's directors, managerial staffers, or other positions with significant influence on audited cases?	No
8	Whether certified public accountants or members of auditing service panel receive major gifts or preferential treatments from the company's directors, managerial staffers, or major shareholders?	No
9	Whether certified public accountants are hired by clients or persons under investigation for regular jobs, reception of fixed pays, or service of directors or supervisors?	No
B. Operation of Independence		
	Item	Result
1	Whether certified public accounts have evaded and failed to undertake the case when the case affects their impartiality and independence because there is a direct or significant indirect interest in the matters assigned?	N/A Appointed accountants are the accountants who certified/audited the company's financial statement

	Item	Result	Comply with the standard
2	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
3	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
4	Whether certified public accountants carry out professional service in upright and rigorous manner?	Yes	v
5	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	<ul style="list-style-type: none"> Business development and operation Financial transparency Risk management Corporate governance Environmental protection 	<ul style="list-style-type: none"> Market Observation Post System at Taiwan Stock Exchange Shareholder meeting---at least once a year Investment forums in Taiwan and abroad Visits by institutional investors Investor Relation/stock mailboxes dedicated to investors ---immediate replies by responsible persons Contact window:(IR) ir@teco.com.tw 	<ul style="list-style-type: none"> Chosen as a component stock of Taiwan Sustainability Index In 2020 corporate governance evaluation, Teco Electric & Machinery ranked high in every performance indicator for the evaluation and ranked as the top 5% award for six consecutive years
Employee	<ul style="list-style-type: none"> Business development and operation Relations between company and employees Employees' rights and interests Training and career development Occupational environment Expression of employees' opinions and communication 	<ul style="list-style-type: none"> Company-employee meetings---once every quarter Employees' meetings---once every quarter Executives' symposiums---once half a year Occupational safety and health committee---a meeting every quarter Employee welfare committee Publication of a bimonthly Survey of employees' satisfaction---once a year Proposals for improvement Contact window:(HR) edwardyu@teco.com.tw 	<ul style="list-style-type: none"> 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. Besides, the company promoted a credit system and paid leaves for voluntary contribution to social benefit.
Client	<ul style="list-style-type: none"> Labeling for products and services Customers' health and safety Marketing communication Survey of customers' satisfaction Green products 	<ul style="list-style-type: none"> Dedicated telephone lines for response to customers if needed 1-4 symposiums a year for sales agents and irregular calls on sales agents Tracking of after-sale services---by every service and telephone talks after company's website and media---updated in needed Questionnaire survey of satisfaction---1-4 times a year Contact window:(Spokesperson) speaker@teco.com.tw 	TECO takes the electromechanical business as the main body, and sends customer satisfaction questionnaires to global households twice a year, collecting feedback as the key improvement goal.
Supplier	<ul style="list-style-type: none"> Green supply chain management Human right evaluation for suppliers Operational performance 	<ul style="list-style-type: none"> Evaluation of suppliers---70 per year. Examination of suppliers---once a quarter Counseling for 	<ul style="list-style-type: none"> Risk assessment and on-site evaluation were undertaken for key suppliers, with key suppliers

Stakeholder	Issue	Communication Channel	Communication Result
	<ul style="list-style-type: none"> Order management Quality management Technology used in production 	<ul style="list-style-type: none"> suppliers---offered if needed E-procurement---if needed Contact window:(Procurement) dora@teco.com.tw 	
Local community	<ul style="list-style-type: none"> Occupational safety and health Environmental management Social participation Voluntary services for social benefit 	<ul style="list-style-type: none"> Service centers in industrial parks---services provided irregularly Joint efforts to prevent impact of disasters on neighborhoods of industrial parks---once every quarter Communication mailbox at the company's website---for use irregularly Employees' voluntary work for social benefit---activities held every quarter Contact window:(PR) pr@teco.com.tw 	<ul style="list-style-type: none"> No violations of regulations on air pollution and waste disposal as well as no events with negative impact on neighboring communities Participation in joint efforts and cooperation with other companies stationed in industrial parks to prevent impact of disasters on residential communities neighboring industrial parks Energy-saving education was offered for local communities and schools
NGO (non-governmental organization)	<ul style="list-style-type: none"> Environmental protection Social benefit Labor conditions 	<ul style="list-style-type: none"> Disclosure of non-financial information---regular publication of CSR (corporate social responsibility) reports every year, disclosing the company's action in environmental protection, social responsibility and corporate governance and results accordingly Greenhouse gas inventory---the company passes BSI (British Standards Institution) ISO 14064-1 verification to obtain reasonable level of assurance every year Contact window:(IR) ir@teco.com.tw 	<ul style="list-style-type: none"> Active participation in external organizations and advocacy to support goals of sustainable development and government policies
Government agency	<ul style="list-style-type: none"> Regulatory compliance Occupational safety and health Reduction in greenhouse gas emission Environmental protection Energy management 	<ul style="list-style-type: none"> Irregular attendance in symposiums and public hearings on regulations held by authorities concerned Promotion of compliance with latest anti-corruption regulations and rules of faithful operation at employees' meetings---once every quarter Contact window:(Spokesperson) speaker@teco.com.tw 	<ul style="list-style-type: none"> Market Observation Post System at Taiwan Stock Exchange 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	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
	Name	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	2	
Independent Director	Ting-Wong, Cheng	v	v	v	v	v	v	v	v	v	v	v	v	v	1	
Independent Director	Jin-Fu, Chang	v		v	v	v	v	v	v	v	v	v	v	v	0	

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

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

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

Title	Name	Number of attendance (B)	Number of attendances 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 2020					
Compensation committee	Subject of communication		Communication Result		
4-4 (2020.3.13)	Renumeration to employees in 2019		Approved, summit to board of directors for resolution		
	Renumeration to director of board in 2019		Approved, summit to board of directors for resolution		
4-5 (2020.12.14)	Report on distribution of renumeration to executive manager in 2019		Ratification		
	Report on distribution of 2020 year-end bonuses among employees		Ratification		
	Report on salary adjustment in 2011		Ratification		
	Research on the conversion of some variable salaries to fixed salaries for employees above the manager level of the company		Ratification		

3.3.5 Social Responsibility

Items	Implement Status			Difference with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Company” and reasons
	Yes	No	Summaried Explanation	
A. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations and formulate relevant risk management policies or strategies based on the principle of materiality?	V		The company is led by the "CSR Working Group", it regularly analyzes major issues with reference to the international universal report preparation guidelines. Through researching reports, literature, and communication with internal and external key stakeholders, the content of each topic and its priority are set Sequence, and integrate the risk list proposed by each department, conduct risk assessment and put forward corresponding strategic recommendations, and after review by the chairman, report to the "Corporate Governance and Sustainability Committee" of the board and formulate an annual work plan. .	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”
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	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”
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 c. 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	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Items	Implement Status			Difference with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Company” and reasons
	Yes	No	Summaried Explanation	
<p>c. Whether the company has assessed the potential risks and opportunities from climate change for now and future, and adopt countermeasures of climate-related issues?</p> <p>d. Has the company counted greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?</p>			<p>using environmentally friendly refrigerants, which greatly prevents the greenhouse gas effect of SF6 fugitive emissions from electrical equipment; from all aspects of efforts to reduce the impact on the environment. Relevant data are publicly disclosed in the corporate social responsibility report.</p> <p>c. From this year, the company refers to the use of climate change-related financial disclosure (TCFD) structure for risk and opportunity assessment and corresponding strategic recommendations. After review by the chairman, the company reports to the board of directors "Corporate Governance and Sustainability Committee" and formulates an annual work plan.</p> <p>d. The company annually verifies and tracks greenhouse gas emission data according to the ISO 14064-1 standard, and takes "20% reduction in emissions for 10 years" as its sustainable operation goal. It promotes energy-saving measures and builds renewable energy power generation devices in production bases. The 2020 achievement rate was 114.6% and reached the target five years ahead of schedule. Add Category 3 to investigate publicly exposes it to the corporate social responsibility report and website. The company saves 2% of electricity every year; saves 2% of water; and reduces waste by 10% as specific targets to manage each production base.</p>	
<p>D. Social Issues</p> <p>a. Whether the company has formulated relevant management policy and procedure, according to related laws/regulations and international convention on human rights.</p> <p>b. Whether the company has formulated and implemented reasonable employee welfare measures (including salary, vacation and other benefits), and appropriately reflect the operating performance or</p>	V		<p>a. The company respects and supports the labor standards of the "United Nations Universal Declaration of Human Rights", "United Nations Global Covenant" and "International Labour Organization Conventions", has a human rights declaration and implements it, it includes investment agreements, fairness and non-discrimination, building good labor relations, Child labor is prohibited, forced and compulsory labor is prohibited, working hours are regulated, minimum wage are met, a safe and healthy working environment is established, education and training, supplier management, and communication channels for employee rights are unblocked.</p> <p>b. New employees of TECO have equal pay for men and women, 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</p>	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Items	Implement Status			Difference with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Company” and reasons
	Yes	No	Summaried Explanation	
<p>results in employee compensation?</p> <p>c. Whether the company has provided staffers safe and healthy working environment and held regular safety and health education for staffers.</p> <p>d. Whether the company has established effective cultivation plan for staffers in developing capabilities essential for their career.</p> <p>e. With regard to customer health and safety, customer privacy, marketing and labeling of products and services, has the company followed relevant regulations and international standards, and formulated relevant consumer protection policies and appeal procedures</p>			<p>complete grade and rank system, regardless of whether male or female employees are applicable and there is no difference. At least two performance evaluations are conducted annually, and the remuneration of managers above the manager level is directly linked to the organization's operating performance and adjusted quarterly.</p> <p>c. The company is based on occupational safety and health related laws and regulations (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 implementation, and the quarterly general manager presides over the occupational safety committee (1/3 of labor representatives) to review the implementation of various management and training to ensure the safety of employees in the workplace</p> <p>d. The company's training and development sets and implements the management mechanism in strict accordance with the PDDRO principle. Make overall analysis and consideration based on four levels: strategy / organization, work, and personal needs. Each annual course is divided into 4 categories according to the company's "Talent Development Implementation Rules", considering management ability, professional ability, general knowledge and company policy. In addition to establishing a training blueprint for TECO Academy according to grades, we regularly review the professional abilities and readiness of colleagues. We conduct annual employee training needs surveys, and consider personal performance and strategic development priorities to formulate annual training plans. We plan that only those who have passed the courses and tests set by TECO Academy for each rank can be qualified for promotion.</p> <p>e. TECO motor products are designed in accordance with IE energy efficiency grades and comply with CE, UL and other safety standards and adopt RoHS hazardous substance restriction directive standards; home appliances are marked with energy efficiency and environmental protection labels according to government regulations. TECO Appliance provides online repair, electronic warranty registers and complete after-sales service to protect the rights and interests of consumers.</p>	

Items	Implement Status			Difference with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Company” and reasons
	Yes	No	Summaried Explanation	
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?			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.	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”
F. Describe the operation of company’s Corporate Social Responsibility Best Practice Principles, should it exist, and its difference with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.” TECO promotes related work in accordance with the development of corporate social responsibility standards at home and abroad and changes in corporate environment. There is no other code with differences				
F. 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, held the TECO Award for the 27th consecutive year (1994 ~ 2020), in the four major "technology" and "electricity / information / communications, machinery / energy / environment, chemical industry / materials, biology / medical industry / agriculture" There are nearly 155 winners in the field of "Humanities", which can be regarded as the benchmark of the domestic elite efforts in science and technology and the benchmark of science and technology humanities awards. With "creative education" solidify humanistic Taiwan, we are committed to technological innovation and upgrading and activate the teaching model of school teachers, to open their teaching horizons and encourage teaching enthusiasm, and promote students from rural areas to enjoy high-quality learning opportunities and educational resources; use the "exclamation mark-the aboriginal ethnic group sustainable education plan" to call on more than 30 enterprises and NGOs to inject resources and build a resource supply and demand platform that provides technical support related to transmission, supports the sustainable development of the indigenous ethnic groups, and enables the Taiwanese Aborigines with only language but no text to flourish and have a long history. (2) Other related information is contained in the CSR report, which has been posted on TECO's website. http://teco.com.tw/csr				

3.3.6 Adherence to the Ethical Corporate Management and Measures

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

Items	Implementation Status			Difference with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summaried Explanation	
A. Formulate policy and program for ethical corporate management a. Whether the company has	V		a. "Operate with integrity, implement	Compliance with “Ethical Corporate Management Best Practice Principles

Items	Implementation Status			Difference with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
	Yes	No	Summaried Explanation	
explicitly expressed 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			corporate governance, and fulfill Social Responsibility, Pursuing Sustainable Management" is TECO's core value. The company has yet to formulate "Ethical Corporate Management Best Practice Principles" on August 14 in 2014, and amended on December 23 in 2016 and November 12 2019. The board also amended "Rules of Ethical Conduct to Directors and Managerial Officers" on March 20 2015. Besides the policies mentioned above disclosed on the company's website, the company's directors and management have signed "Integrity Statement" to cautiously fulfilling their duties in compliance with the obligation of attention of a prudent administrator. The company in August 2018 set up the "Corporate Governance and Sustainability Committee" and formulated "Corporate Governance and Sustainability Committee Charter" on August 13 th 2018. 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 ethical operation.	for TWSE/GTSM-Listed Companies
b. Whether the company has established an assessment mechanism for the risk of unethical, regularly analyzes and evaluates business activities with a high risk of unethical in the business scope, and accordingly formulates a plan to prevent unethical, 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 ", clearly listing the evaluation mechanism for the risks of unethical business activities, preventing from items of the scope covering various behaviors of article 7-2 of "Code of Integrity Management of Listed Companies" (1. Bribery and Take bribes. 2. Providing illegal political donations. 3. Improper charitable donation or sponsorship. 4. provide or accept unreasonable gifts, hospitality or other irregularities. 5. Infringement of business secrets and trademarks, rights, patent rights, copyrights and other intellectual property. 6. Engaging in unfair competition 7. Direct or indirect damages to consumers' or other interested parties' benefit, health and safety during R&D, procuring, manufacturing, offering or selling products and services). According to this, the company's "Legal & Compliance division" announced "Risk assessment of dishonest operation evaluation mechanism" in July 2020, completed risk assessment for each business unit in September, risk analysis of of dishonest operations in various	

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 unethical behaviors, and implement it, and regularly review and revise the pre-disclosure plan?			<p>departments and its preventive measures plan report 2020 in October 2020. Then start to implement various plans. In addition, the company formulated "Procedures for Ethical Management and Guidelines for Conduct" to prevent the company members from failing to perform business. Please refer to the evaluation item (3)</p> <p>c. The " Procedures for Ethical Management and Guidelines for Conduct " formulated by the company on November 16, 2017. It is clearly stipulated that employees shall not directly or indirectly provide, promise, request or receive any illegitimate benefits in the execution of their business, or make other acts that violate good faith, illegality or breach of acceptance. Dishonest acts such as fiduciary duty to obtain or maintain benefits. In order to urge employees to maintain an awareness of integrity behaviors, the company will not only disclose the integrity standards related to business behaviors to internal website, and encourage employees to sign the "Integrity Statement" (the signing rate reached 100% in September 2020) with 76 companies around the world. Customs enterprises signed a letter of commitment for honest management of the companies (as of December 31, 2020, a total of 73 completed, 96% completion rate). In addition, the system's propaganda should be followed when conducting honest behaviors with colleagues through multiple methods such as education courses and quarterly conferences. In addition, in order to implement the high requirements of compliance with laws and regulations and professional ethics, the company has set up a " Bylaws to report cases of illegal and unethical conduct", establish the company's internal and external reporting channels and handling systems, and set up the "Legal & Compliance Division " under the board of directors as the promotion unit for integrity management, responsible for the implementation of integrity management policies and prevention plans. In addition, the "Internal audit Division" of the board of directors conducts irregular inspections and continuous follow-up to improve the implementation. At the same time, it reviews regularly, and in line with the law, the board of directors' resolution on March 17, 2020 passed the amendment to the " Procedures for Ethical Management and Guidelines for Conduct."</p>	
B. Materialize ethical corporate management	V			Compliance with "Ethical Corporate Management

Items	Implementation Status			Difference with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
	Yes	No	Summaried Explanation	
<p>a. Whether the company has evaluated the track record on the integrity of business partners and whether the contracts with business partners include an article on behavioral integrity.</p> <p>b. Does the company set up a special unit under the board of directors to promote the integrity management of the enterprise, and regularly (at least once a year) report to the board of directors on its integrity management policies and plans to prevent unethical behaviors and supervision and implementation?</p> <p>c. Whether the company has formulated policy preventing conflict of interest and provided, as well as faithfully executed, proper channel for complaints.</p> <p>d. Whether the company has instituted effective accounting system and internal control system for the materialization of the policy of ethical corporate management, which is audited regularly by in-house auditing unit or certified public account</p>			<p>a. When the company conducts external commercial activities, it will consider its integrity record before dealing with the counterparty. The Company's Board of Directors' legal & compliance division also incorporates the terms of good faith into the company's various types of system contracts, requiring the transaction partners to strictly observe integrity. If it does involve dishonest behavior, the company may terminate the contract unconditionally at any time.</p> <p>b. The company has established the Board of Directors' legal & compliance division to promote dedicated units for the formulation of integrity management policies and prevention plans. On January 13 2020, August 10 2020, and December 10 2020, it reported annual work plan and its implementation in "Corporate Governance and Sustainability Committee". And regularly report to the board of directors semiannually (in the year 2020 of the board of directors on March 17 and August 14). It also announced the " Risk assessment of dishonest operation evaluation mechanism " on July 27 2020. According to the method, the company completed the risk assessment of the company's business departments in September, and complete "the year 2020 report on the analysis of the risk of dishonest operations and the preventive measures for each department in October," and launched various plans and implementation plans.</p> <p>c. The company has formulated "Procedures for Ethical Management and Guidelines for Conduct" and "Rules of Ethical Conduct to Directors and Managerial Officers" , 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 " Rules of Ethical Conduct to Directors and Managerial Officers " For the accused, it also provides the opportunity to express their opinions or appeal.</p> <p>d. In order to ensure the implementation of integrity management, the correctness of accounting and financial processes and the effectiveness of internal control, the company has an "audit committee" to supervise the "finance and management center" which is responsible for dynamic management of financial risks. Annually</p>	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	
under its entrustment.			consider the five elements of laws and regulations compliance, COSO internal control, and according to the company's strategic objectives and past audit experience, internal audit division evaluates the company's risks at all levels under the existing organizational structure, and propose an audit plan for the following year. The audit committee (2020.12.14) and the board of directors (2020.12.22) to report and approve the compliance status of the regular inspection system. In the fourth quarter of each year, the internal control system self-assessment of each business unit and important affiliated companies will be carried out, and the internal control system will be self-evaluated in the first quarter of the following year. The results are summarized and reported to the Audit Committee (2020.3.13) and the Board of Directors (2020.3.17) to review the management level of the company, the degree of control over the overall internal and external environmental risks, the control of business unit operational risks, the design of internal control systems and the effectiveness of execution. In addition, through the annual internal control self-assessment, each business department of TECO must self-examine the effectiveness of the internal control system design and implementation	
e. Whether the company had held internal or external education and training regularly on ethical corporate management.			e. TECO regularly organizes internal education and training courses such as training for new recruits and new supervisors every year, and at the same time announces the " Ethical Corporate Management Best Practice Principles " and " Procedures for Ethical Management and Guidelines for Conduct " related to integrity management regulation, and at least once a year, the relevant laws and regulations shall be carried out on directors, managers and employees for education promotion. The company has dealt with the current directors, managers and current directors on June 17, 2020, September 27, 2020 and November 17, 2020. Carry out relevant education and promotion with employees, and the content of the course includes "what tax law issues should be paid attention to when signing contracts (including foreign transactions)" and prevention and control of money laundering, personal asset management, business secret examples, etc. September 21, 2020, also invited to gather all the representative of the affiliated companies held a seminar on promoting integrity	

Items	Implementation Status			Difference with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summaried Explanation	
			management to connect TECO to implement the group’s core values of integrity management. Besides the employees of TECO have promoted the completion of the "Integrity Statement" (2020.9.21, signing rate 100%), according to the " Preventing Insider Trading Rules and Major Internal Information Processing Procedures”, the promotion on the relevant laws and regulations preventing insider trading procedures to the directors, supervisors, managers, and employees shall handle at least once every year. New directors, supervisors and managers shall be provided with education and publicity in a timely manner. The human resources unit promoted during the pre-employment training, and there are 183 people count the participants during the course. After class, they tested their learning status in class and place the course briefings and audiovisual files in the internal staff system for all staff to understand	
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 “Bylaws to report cases of illegal and unethical conduct,” containing ethical norms for staffers, and has instituted reporting e-mail address integrity@teco.com.tw with the audit division b. For “Bylaws to report cases of illegal and unethical conduct”, Articles 3 and 4 specify channels of reporting and handling procedures while the standard operating procedures for the investigation of the reported matter and the follow-up measures to be taken after the investigation is completed, and the confidentiality mechanism is specified in Article 4, Item 5. For the informant or the personnel participating in the investigation and the content, the company adopts confidentiality and prudent procedure c. Provision 5 under Articles 4 of “Bylaws to report cases of illegal and unethical conduct” specifies secrecy mechanism that protects the reporters or responsible investigators and content of reporting from unfair treatment or revenge.	Compliance with “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	
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 places relevant norms and publicity information on integrity management on its internal website for colleagues to inquire at any time. TECO’s external website (https://www.teco.com.tw) placed the annual report under “Investor Relations” (also placed at the Public Information Observatory) and corporate governance/management team and internal rules of the organization under “About TECO”, and the corporate social responsibility report under Corporate Social Responsibility are also fully disclosed with the relevant policy requirements, rules and regulations and information on integrity management	Compliance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies
E. Should the company formulate own ethical corporate management principles according to “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Company,” specify its execution and difference with the principles: The company has already formulated its own ethical corporate management principles and disclosed on the Company’s website. There is no major difference between its execution and principles.				
F. Other key information conducive to the understanding of the company’s ethical corporate management (such as review and revision to the company’s ethical corporate management): The company materializes ethical corporate management via compliance with Company Law, Securities Exchange Act, and regulations and laws governing listed firms, in addition to forbidding unethical behaviors in business dealings. The company has amended the " Ethical Corporate Management Best Practice Principles " on November 12, 2019; On March 17, 2021, amended the "Procedures for Ethical Management and Guidelines for Conduct"				

3.3.7 Corporate Governance Guidelines and Regulations

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

3.3.8 Other Important Information Regarding Corporate Governance

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

B. Advanced studies for directors and supervisors :

Title	Name	Date	Organizer	Training Course	Time
Chairman	Tung Kuang Investment Co., Ltd. Representative: Chwen-Jy, Chiu	2020.7.30	Taiwan Institute for Sustainable Energy	The 21 st CEO talk and Special Lecture	2 hrs
		2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.10.29	Taiwan Institute for Sustainable Energy	The 22 nd CEO talk and Special Lecture	2 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs
Managing Director	Tong Kuang Investment Co., Ltd Representative : Chao-Kai, Liu	2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs
Managing Director	Cheng-Tsung, Huang	2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.12.24	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs
Managing Director	Creative Sensor Inc. Representative: Yu-Ren, Huang	2020.12.24	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs
		2020.12.27	Accounting Research and Development Foundation	Under the corporate governance structure-the blueprint for the sustainable development of my country's enterprises and the way for enterprises to respond	3 hrs
Managing & Independent Director	Wei-Chi, Liu	2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.9.22	Taiwan Institute of Directors	Enterprise transformation in the era of change	3 hrs
		2020.12.24	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs
Independent Director	Ting-Wong, Cheng	2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs
Independent Director	Jin-Fu, Chang	2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs

Title	Name	Date	Organizer	Training Course	Time
Director	Mao-Hsiung, Huang	2020.8.5	Accounting Research and Development Foundation	On the Management of Intellectual Property from the Perspective of the Board	3 hrs
		2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3hrs
Director	Yinge Int. Inv. Co., Ltd. Representative : Po-Chih, Huang	2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs
Director	Kuang Yuan Industrial Co., Ltd. Representative: Shih-Chien, Yang	2020.8.11	Taiwan Corporate Governance Association	Ten Required Courses of Corporate Governance	3 hrs
		2020.8.11	Taiwan Corporate Governance Association	How to effectively perform the functions of directors and implement corporate governance	3 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs
Director	Tung Kuang Investment Co., Ltd. Representative: Hong-Hsiang, Lin	2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs
Director	Yubantec & Co., Ltd. Representative: Tung-Hai, Kao	2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs
Director	Hung Shun Investment Co., Ltd Representative: Tzu-Yi, Kuo	2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs
Director	Tong-An Investment Co., Ltd. Representative: Shang-Wei, Kao	2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs

C. Advanced studies for managing staffers in 2020:

Title	Name	Date	Organizer	Traning course	Time
President	Chao-Chih, Lien	2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs
Executive Consultant	Hong-Hsiang, Lin	2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs
Assistant Vice President	Sheng-chyuan, Lin	2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs
Assistant Vice President	Sung-Pin, Chang	2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs
Assistant Vice President	Chi-Tseng, Peng	2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs
Assistant Vice President	Fei-Yuan, Kao	2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs
Assistant Vice President	Kuo-Min, Chen	2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs
Assistant Vice President	Hank Horng	2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	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

Title	Name	Date	Organizer	Traning course	Time
		2019.11.27	Taiwan Corporate Governance Association	Directors' financial reporting obligations, global institutional investors' active role play in strengthening the corporate governance ecosystem, and references to business judgment rules	3 hrs
		2019.12.24	Taiwan Investors Relation Institute	Money Laundering Prevention and Trade Sanctions (China-US Trade War)	3 hrs
		2020.5.14	Accounting Research and Development Foundation	Analysis and decision-making application of corporate financial information	3 hrs
		2020.5.28	Accounting Research and Development Foundation	Analysis and Case Study of Unconventional Transactions of Directors and Supervisors	3 hrs
		2020.8.14	Taiwan Investors Relation Institute	Macro economic analysis after COVID-19 + the impact of the Sino-U.S. technological war on the global environment and its response	3 hrs
		2020.9.18	Taiwan Corporate Governance Association	The role of institutional investors in improving corporate governance	3 hrs
		2020.10.23	Taiwan Stock Exchange	2020 Corporate Governance and Corporate Integrity Directors and Supervisors Promotion Conference	3 hrs
		2020.12.22	Taiwan Investors Relation Institute	Trend of Corporate Governance	3 hrs

D. The situation of resignation in the Company:

Title	Name	On Board Date	Date of resignation	Reason
Director	Yung-Hsiang, Chang	2004.09.06	2020.05.21	Resign
Director	Po-Chih, Huang	1988.03.28	2021.01.01	Change the representative
Assistant Vice Presidnt	Kevin Yeh	2017.01.01	2021.01.01	Resign
Director	Yu-Ren, Huang	2012.06.15	2021.03.18	Resign

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, considering 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 "TECO Academy" has been established since 2018, and management elite classes have been established to strengthen its business management and management capabilities including strategic planning, multinational operations, global marketing, innovation management and new economy and other important topics, in order to cultivate the management talents needed in the future (a total of 25 educated trainees from 2018 to 2019). Mr. Chao-Chih, Lien, the current acting president, joined the TECO Group in 2001. He successively led the heavy industry product division, the information electronics business group, the new business promotion center, and the electrification preproduct division. He took over as the acting president in 2018 and upgraded to President in December 2020.

3.3.9 Internal Control System

1. Please refer to page 66 of the Chinese annual report.
2. Those who entrust an accountant to review internal controls should disclose the accountant's review report:
None

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

2020/2/24	The board of directors resolved to convene 2020 shareholders' meeting on May 11, 2020
2020/3/17	<p>(1) The Board of Directors resolved cash dividend NT\$0.99 per share with the total amount NT\$ 1,948,016 thousand and propose to the shareholders' meeting.</p> <p>(2) The Board of Directors resolved 2019 financial statements and submitted to the shareholders' meeting for ratification.</p> <p>(3) The board of directors approved employees' bonus of NT\$ 258,192 thousand and directors' remuneration of NT\$114,752 thousand in 2019. The above amount will be distributed through cash. There is no difference from the expense amounts in 2019 recognized by the board of directors.</p> <p>(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.</p> <p>(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 2019, the amendment to the "Corporate Social Responsibility Best Practice principle" and the amendment to the "Codes and Procedures for Ethical Management and Guidelines for Conduct" ; (2) Two items for discussion: the amendments to the "Procedures for Lending Funds to 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</p>
2020/3/31	<p>(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.</p> <p>(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</p>
2020/4/6	<p>(1) In line with the recommendation of the securities regulatory authority to amend the private placement case previously announced on 2020/03/31, the board of directors passed the original resolution to separate the private placement case into two privately placed common shares and privately placed preferred shares proposals. The total amount of private equity does not exceed 190 million shares.</p> <p>(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 to 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.</p>
2020/4/10	The board of directors resolved to postpone discussion items of privately placed preferred shares and common shares. The revised discussion items were i. amendment to "Procedures for Lending Funds to 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.
2020/5/7	The board of directors resolved to pay cash dividend NT\$0.99 per share, as total amount of NT \$ 1,948,016 thousand. The ex-dividend base date was 2020/06/19, and the cash dividend payment date was 2020/07/16
2020/5/11	<p>Important resolutions in Annual Shareholders' Meeting</p> <p>(1) Acknowledged 2019 business report and financial statement.</p> <p>(2) Acknowledged 2019 profit distribution.</p> <p>(3) Amendment to Articles of Incorporation: passed</p> <p>(4) Amendment to Procedures for Lending Funds to Other Parties: passed</p> <p>(5) Amendment to Procedure for Endorsement and Guarantee: passed</p> <p>(6) Capital reduction and return cash to the shareholders: rejected</p>
2020/7/2	In order to cooperate with the government to accelerate the reconstruction of dangerous and old buildings and revitalize its own assets, the board of directors resolved to approve the land joint construction and development project of the subsidiary "Tong An Asset Management Co., Ltd.", and the contract promised that the counterparty were Mingtai Insurance Co., Ltd. and TECO. The subject of the reconstruction is a house at No. 934, Jilin Section 2, Zhongshan District, Taipei City, and the reconstruction value will be obtained according to the investment ratio (Mingtai 44%, TECO 7.341% and Tong An Assets 48.2659%) Allocation, the total contract amount is estimated to be NT\$1,364 million
2020/11/13	<p>(1) Submission of 2020 Q3 consolidated financial report to the board of directors, which shows that consolidated operating revenue stood at NT\$33,348,808 thousand, pre-tax profit reached at 3,395,505 thousand and net income attributable to the parent company is NT\$2,727,719 thousand in the first three quarters of 2020, with earnings per share reaching NT\$1.41.</p> <p>(2) Resolved to assign Mr. Tommy as chief accounting</p>

2020/11/20	The board of directors resolved to carry out strategic cooperation in the form of share exchange. The target company of the share exchange was Walsin Lihwa Co., Ltd. The share exchange ratio was 0.8333 ordinary shares of the company to exchange 1 common share of Walsin Lihwa Co., Ltd. The purpose of the share exchange is to enhance the competitiveness of both parties, jointly deploy the next generation of smart grid, smart manufacturing and new energy industries, the base date of the stock exchange is 2021/01/06
2020/12/22	The board of directors resolved the company's spokesperson and acting spokesperson change case. The original spokesperson Kevin Yeh and acting spokesperson Shih-Hsiung Chien were adjusted to new spokesperson Shih-Hsiung Chien and acting spokesperson Andy Liu due to job changes.
2021/3/2	The board of directors resolved to convene a regular shareholder meeting on 2021/05/25 at the conference hall of Nangang Exhibition Center Hall 2 (7th Floor, No. 2, Jingmao 2nd Road, Nangang District, Taipei City), and the period of cessation of transfer is 2021/03/27~2021/05/25. When considering that the meeting place of the shareholders meeting needs to be changed due to the impact of the epidemic before May 25, 2021, the board authorized the chairman full authority to deal with related matters
2021/3/23	(1) 2020 consolidated financial report resolved by the board of directors, which shows that consolidated operating revenue stood at NT\$45,823,430 thousand, net profit reached at 3,811,648 thousand and net income attributable to the parent company is NT\$3,511,358 thousand, with earnings per share reaching NT\$1.81 (2) The board of directors approved employees' bonus of NT\$ 284,575 thousand and directors' remuneration of NT\$109,939 thousand in 2020. The above amount will be distributed through cash. (3) The Board of Directors resolved cash dividend NT\$1.15 per share with the total amount NT\$ 2,459,616 thousand

B. Implementation of Resolutions made in Annual Shareholders' Meeting on May 11, 2020.

Number	Resolution	Implementation
1	Acknowledged 2019 business report and financial statement.	※ The proposal was approved by the participating Shareholders with 95.62% approved percentage.
2	Acknowledged 2019 profit distribution.	※ The proposal was approved by the participating Shareholders with 95.88% approved percentage.
3	Approval on Amendment to Procedures for Lending Funds to Other Parties	※ The proposal was approved by the participating Shareholders with 95.29% approved percentage.
4	Approval on Amendment to Procedure for Endorsement and Guarantee	※ The proposal was approved by the participating Shareholders with 95.29% approved percentage.
5	Approval on Amendment to Articles of Incorporation	1. The proposal was approved by the participating Shareholders with 55.52% approved percentage. 2. The amendment proposal is submitted to the Department of Commerce of the Ministry of Economic Affairs 2020/07/27 Letter No. 10901128610 approved for filing
6	Capital reduction and return cash to the shareholders(proposed by shareholder with 1% shareholding)	※ The proposal was rejected by the participating Shareholders with 37.19% 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

Chief accounting: : Ken Lin rotated on 2020/09/10

Chief finance: Kevin Yeh resigned on 2021/1/1

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	2020	

3.4.2 Table of Brackets for CPA Fees

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

Note: NT\$5,537 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: None

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: None

3.4.5 Auditing fee decreases by over 10% from the previous year: None

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: None

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 (with more than 10% shareholding)

3.7.1.1 Changes in Shareholding of Directors

Unit: Share

Title	Name	2020		Mar. 31, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Tong Kuang Investment Co., Ltd. Representative: Chwen-Jy, Chiu	1,800,000	0	(150,000)	900,000
		46,143	0	0	0
Managing Director	Tong Ho Gloabal Investment Co., Ltd. Representative : Chao-Kai, Liu	0	355,000	0	0
		0	0	0	0
Managing Director	Cheng-Tsung, Huang	0	0	0	(1,930,000)
Managing Director	Creative Sensor Inc. (Note 1) Representative: Yu-Ren, Huang (Note 1)	20,940,000	29,300,000	46,579,000	0
		0	0	0	0
Managing & Independent Director	Wei-Chi, Liu	0	0	0	0
Independent Director	Jin-Fun, Chang	0	0	0	0
Independent Director	Ting-Wong, Cheng	0	0	0	0
Director	Mao-Hsiung, Huang	0	0	0	0
Director	Yinge Int. Inv. Co., Ltd Representative : Li-Chong, Huang (Note 2)	0	0	0	0
		0	0	0	0
Director	Hung Shun Investment Co., Ltd Representative: Tzu-Yi, Kuo	500,000	0	0	0
		0	0	0	0
Director	Tong-An Investment Co., Ltd. Representative: Shang-Wei, Kao	0	(16,561,052)	0	
		0	0	0	0
Director	Kuang Yuan Industrial Co., Ltd. Representative: Shih-Chien, Yang	4,800,000	6,000,000		(1,100,000)
		0	0	0	0
Director	Tong Kuang Investment Co., Ltd. Representative: Hong-Hsiang, Lin	1,800,000	0	(150,000)	900,000
		20,920	0	0	0
Director	Yubantec & Co., Ltd. Representative: Tung-Hai, Kao	7,689,000	8,000,000	0	(1,400,000)
		0	0	0	0
Director	Yung-Hsiang, Chang (Note 3)	(600,000)	0	N/A	N/A

Note 1: Managing Director, Creative Sensor Inc. and its representative, Mr. Yu-Ren Huang, resigned on March 18th 2021Note 2: The representative of Yinge Int. Inv. Co., Ltd. changed from Po-chih, Huang to Li-Chong Huang on January 1st 2021Note 3: Director, Mr. Yung-Hsiang Chang, resigned on May 21st 2020

3.7.1.2 Changes in Shareholding of Managers

Unit: Share

Title	Name	2020		Mar. 31, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Acting President	Chao-Chi, Lien	46,143	0	0	0
Executive Consultant	Hong-Hsiang, Lin	20,920	0	0	0
Management	Sheng-chyuan, Lin	30,938	0	0	0
Management	Sung-Pin, Chang	46,143	0	0	0
Management	Chi-Tseng, Peng	0	0	0	0
Management	Fei-Yuan, Kao	42,412	0	0	0
Management	Kuo-Min, Chen	0	0	0	0
Management	Hank, Horng	13,316	0	0	0
Management	Shih hsiung, Chien	0	0	0	0

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)	179,121,991	N/A	0	0

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

3.7.2 Shares Transfer with Related Parties

Name (Note 1)	Reason of Transfer (Note 2)	Date of Transaction	Transferee	Relationship between Transferee and the Company, Directors, Supervisors and Shareholders with more than 10% shareholding	Shares	Transaction Price (NTD)
None						

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, 2021

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	373,237,991	17.45%	0	0.00%	0	0.00%	Jaryuan Investment Co. Ltd	Related party	-
Walsin Liwah Co., Ltd.	207,377,730	9.70%	0	0.00%	0	0.00%	None		
Jaryuan Investment Co. Ltd	135,653,000	6.34%	0	0.00%	0	0.00%	PJ Asset Management	Related party	
Creative Sensor Co., Ltd.	77,519,000	3.62%	0	0.00%	0	0.00%	None	-	-
Silchester International Investors International Value Equity Trust	48,783,000	2.28%	0	0.00%	0	0.00%	None	-	-
WGI Emerging Markets Smaller Companies Fund, LLC	37,674,000	1.76%	0	0.00%	0	0.00%	None	-	-
Tong Kuang Investment Co., Ltd.	31,991,364	1.50%	0	0.00%	0	0.00%	None	-	-
Silchester International Investors International Value Equity Group Trust	27,093,000	1.27%	0	0.00%	0	0.00%	None	-	-
Norges Bank	26,956,193	1.26%	0	0.00%	0	0.00%	None	-	-
Kuan Yuan Industrial Co., Ltd.	26,833,919	1.25%	0	0.00%	0	0.00%	None	-	-

3.9 Long-Term Investments Ownership

December 31, 2020

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.	69,894,485	100.00%	0	0.00%	69,894,485	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.	395,415,338	100.00%	0	0.00%	395,415,338	100.00%
Appliance (HK) Ltd.	1,499,999	99.99%	0	0.00%	1,499,999	99.99%
Tong An Investment Co., Ltd.	508,860,935	99.60%	2,017,239	0.40%	510,878,174	100.00%
TECO Electro Devices Co., Ltd.	10,770,864	62.57%	259,926	1.51%	11,030,790	64.08%
Tecnos International Consultant Co., Ltd.	6,362,767	57.52%	1,712,608	16.02%	8,075,375	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%	1,924,250	7.04%	13,391,498	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.	7,644,933	100.00%	0	0.00%	7,644,933	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	60,090,307	63.52%	0	0.00%	60,090,307	63.52%
E-Joy International Co., Ltd.	6,746,221	93.60%	500,000	4.90%	7,246,221	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%	2,207,500	73.58%	2,687,500	89.58%
Taiwan Pelican Express Co., Ltd.	24,121,700	25.27%	6,573,800	6.88%	30,695,500	32.15%
Eagle Holding Co.	1	100.00%	0	0.00%	1	100.00%
Century Development	100,592,884	28.67%	84,518,831	24.08%	185,111,715	52.75%
Teco Sun Energy	2,100,000	30.00%	2,100,000	30.00%	4,200,000	60.00%
Temico International 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 “Preventing Insider Trading Rules and Major Internal Information Processing Procedures” and announced to the employees to follow.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Type of Stock

March 31, 2021

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Share	2,138,796,616	891,753,384	3,030,550,000	-

4.1.2 Status of Shareholders

March 31, 2021

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	2	44	270	84,507	521	85,344
Shareholding (shares)	7,741,000	22,607,306	1,057,418,528	516,838,724	534,191,058	2,138,796,616
Percentage	0.36%	1.06 %	49.44 %	24.16 %	24.98 %	100.00%

4.1.3 Shareholding Distribution Status

The par value for each share is NT\$10

March 31, 2021

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	45,835	8,442,848	0.40%
1,000 ~ 5,000	27,928	61,486,825	2.88%
5,001 ~ 10,000	5,423	41,271,216	1.93%
10,001 ~ 15,000	1,842	22,747,983	1.06%
15,001 ~ 20,000	1,050	19,096,142	0.89%
20,001 ~ 30,000	1,082	26,934,382	1.26%
30,001 ~ 40,000	445	15,608,384	0.73%
40,001 ~ 50,000	330	15,180,244	0.71%
50,001 ~ 100,000	628	44,698,592	2.09%
100,001 ~ 200,000	298	42,012,962	1.96%
200,001 ~ 400,000	183	51,723,800	2.42%
400,001 ~ 600,000	67	32,947,153	1.54%
600,001 ~ 800,000	40	27,469,189	1.28%
800,001 ~ 1,000,000	24	21,658,305	1.01%
1,000,001 or over	169	1,707,518,591	79.84%
Total	85,344	2,138,796,616	100.00%

4.1.4 List of Major Shareholders

March 31, 2021

Shareholder's Name	Shares	Percentage
PJ Asset Management	373,237,991	17.45%
Walsin Liwah Co., Ltd.	207,377,730	9.70%
Jaryuan Investment Co. Ltd	135,653,000	6.34%
Creative Sensor Co., Ltd.	77,519,000	3.62%
Silchester International Investors International Value Equity Trust	48,783,000	2.28%
WGI Emerging Markets Smaller Companies Fund, LLC	37,674,000	1.76%
Tong Kuang Investment Co., Ltd.	31,991,364	1.50%
Silchester International Investors International Value Equity Group Trust	27,093,000	1.27%
Norges Bank	26,956,193	1.26%
Kuan Yuan Industrial Co., Ltd.	26,833,919	1.25%

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

Unit: NT\$

Item	2019	2020	March 31, 2021 (Note 5)
Market Price per Share (Note 1)			
Highest Market Price	27.65	31.10	27.90
Lowest Market Price	16.95	23.00	23.00
Average Market Price	23.21	27.83	25.80
Net Worth per Share			
Before Distribution	28.82	31.42	-
After Distribution	27.83	30.27	-
Earnings per Share			
Weighted Average Shares (thousand shares)	1,949,947	1,939,447	-
Earnings Per Share	1.65	1.81	-
Dividends per Share			
Cash Dividends	0.99	1.15	-
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 2)	14.07	15.38	-
Price / Dividend Ratio (Note 3)	23.44	24.20	-
Cash Dividend Yield Rate (Note 4)	4.27%	4.13%	-

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

If there is a surplus in the company's annual final accounts, tax shall be paid in accordance with the law to make up for accumulated losses then withdraw 10% as statutory surplus reserve. In addition, the special surplus reserve shall be listed or converted in accordance with the regulations; if there is a balance in the current year, the dividends of the special shares in the current year shall be given priority, and the balance shall be added to the undistributed surplus of the previous year. The board of directors shall draft a earnings distribution plan, and the stock dividend plan shall be submitted to the shareholders meeting for resolution and distribution. The cash dividend distribution proposal authorizes the board of directors to be distributed with more than two-thirds of the directors present and the resolution of more than half of the directors present, and report to the shareholders meeting.

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 consider 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\$1.15 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	\$ 284,575
Employee Bonus – in Stock	0
Directors' Remuneration	<u>109,939</u>

Employee remuneration and directors' remuneration decreased by NT\$16,539 thousand compared to the number of NT\$411,053 thousand recognized in the 2020 financial statement. The difference with the account number will be regarded as a change in accounting estimates and listed as the year profit and loss.

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:

Not applicable

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

Unit : NT\$ thousand

	Amount recognized in the previous year
Employee Bonus - Cash	258,192
Directors' Remuneration – Cash	114,752
Total	372,944

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

A. The situation of the company buying back the company's shares (Finished): None

B. The situation of the company buying back the company's shares (In execution): None

4.2 Corporate Bonds

4.2.1 Issuance of Corporate Bonds

Type of Corporate Bond	1 st Unsecured Ordinary Corporate Bonds in 2017	1 st Unsecured Ordinary Corporate Bonds in 2020	2 nd Unsecured Ordinary Corporate Bonds in 2020
Issue date	2017/09/15	2020/06/12	2020/09/15
Par value	NT\$ 1,000,000	NT\$ 1,000,000	NT\$ 1,000,000
Issue and Trading Place	Domestic	Domestic	Domestic
Issue Price	According to face amount		According to face amount
Total Amount	NT\$ 10 billion	NT\$ 30 billion	NT\$ 20 billion
Interest Rate	1.02%	0.70%	0.60%
Duration	5 years, Expiration Date: 2022/09/15	5 years, Expiration Date: 2025/06/12	5 years, Expiration Date: 2025/09/15
Assurance Institution	None	None	None
Assignee	Taishin International Bank Ltd.	Taishin International Bank Ltd.	China Trust Bank Ltd.
Underwriting Institution	Yuanta Securities	Capital Securities	Masterlink Securities
Signed Lawyer	Handsome Attorneys-at-Law Ya-Wen Chiu	Handsome Attorneys-at-Law Ya-Wen Chiu	Handsome Attorneys-at-Law Ya-Wen Chiu
Signer Accountants	PricewaterhouseCoopers, Taiwan Wu, Yu-Lung & Chou, Chien-Hung	PricewaterhouseCoopers, Taiwan Wu, Yu-Lung	PricewaterhouseCoopers, Taiwan Wu, Yu-Lung
Repayment	Accrual Bond	Accrual Bond	Accrual Bond
Outstanding Amount	NTD\$ 10 billion	NTD\$ 10 billion	NTD\$ 10 billion
Redemption or Advanced Repayment	N/A	N/A	N/A
Restrictive Clauses	N/A	N/A	N/A
Credit Rating Institution, Credit Rating Date and the Outcome of the Rating	Taiwan Ratings Rating Date:2017/3/30 Issuer Ratng: twA+ IssueRating: None	Taiwan Ratings Rating Date:2020/2/18 Issuer Ratng: twA+ IssueRating: None	Taiwan Ratings Rating Date:2020/2/18 Issuer Ratng: twA+ IssueRating: None
Others	None	None	None
	None	None	None
Shares Dilution & Influence on Stockholders' Equity	None	None	None
Entrust Institution of Exchange Object	None	None	None

4.2.2 Information of the Convertible Bond

None

4.2.3 Information of Shelf Registration Corporate Bond

None

4.2.4 Equity warrant bonds

None

4.3 Equity Warrant Preferred Stock

None

4.4 Preferred Shares

None

4.5 Global Depositary Shares

None

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

None

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

None

4.6.3 Status on Restricted Share Award

None

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

None

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

4.7.1 In the most recent year and as of the date of publication of the annual report, those who have completed mergers and acquisitions or transferred shares of other companies to issue new shares shall disclose the following matters

1. Appraisal opinions issued by the lead securities underwriters who acquired or received shares of other companies to issue new shares in the most recent quarter.

TECO Electric Co., Ltd. acquires shares of Walsin Lihwa Co., Ltd.
Evaluation Opinions of the Leading Securities Underwriters in the First Quarter of 2021
(Translation)

TECO Electric Co., Ltd. (hereinafter referred to as TECO) issued new shares in 2020 to exchange the shares of Walsin Lihwa Co., Ltd. (hereinafter referred to as Walsin Lihwa). The Financial Supervision and Administration Commission issued the title of the Financial Regulatory Certificate on December 16, 2020. The filing of the letter No. 1090377122 became effective, taking January 6, 2021 as the base date for the stock exchange, and the change registration was completed on January 14 of the same year. TECO, in accordance with section 8, item 1, Article 9 of the "Guidelines for the Issuer's Raising and Issuing of Marketable Securities", contacted the lead securities underwriter for the transfer of TECO's share to Walsin Lihwa and to issue evaluation opinions on the impact of TECO's Finance, Business and Shareholders' Equity as of the first quarter of 2021.

1. The financial impact of the transfer of shares of other companies

TECO and Walsin Lihwa each specialize in different vertical application markets. Through this share swap and alliance, under the integration of two corporation's resources, the complementary effects of customer marketing and product lines can be leveraged to enhance the market awareness and brand value of both companies, while effectively expand the scale of operations of both parties, thereby increasing the overall profitability of TECO Electric. In addition to the gradual growth in revenue, TECO Electric can use the long-term technical experience of both parties and understanding of the market, and the cooperation between the two parties can combine their respective expertise, provide existing R&D resources for integration, and avoid excessive investment in learning Costs, and through the joint use and allocation of development resources, is expected to enhance the competitiveness of TECO Electric's products. On the whole, this share swap alliance is conducive to TECO's profit, so it should have positive financial benefits. From the perspective of TECO's financial structure and solvency ratio, TECO's 2020 debt ratio was 36.01%, current ratio and quick ratio were 233.41% and 182.45%, respectively. Its financial structure is still stable and its solvency is good. The transfer has no significant impact on the financial structure of TECO, and through the strategic alliance cooperation between the two parties, it is expected to contribute to the improvement of TECO's overall operating performance, and it should have a positive financial benefit.

2. The impact of the transfer of shares of other companies on the business

TECO Electric's main business is various types of machinery and equipment, power generation, power distribution machinery and electrical appliances, which are used in information equipment rooms, renewable energy (including offshore wind power) and energy storage, comprehensive development projects, public engineering and transportation engineering, medical biotechnology and factory buildings. The copper wires, power cables, communication cables, and stainless steel materials produced by Walsin Lihwa are widely used in infrastructure construction such as power transmission, telecommunications networks, transportation, and

industrial production. Both parties each have their own niches and market segments regarding product types and sales channels, this strategic cooperation will not only continue to deepen their respective professional fields, but in the future, through the integration of group resources and cross-marketing, the complementary effects of customer marketing and product lines will be used to provide customers more diversified and complete products and services. This strategic cooperation will enhance the corporate market awareness and brand value, and then strive for more opportunities for cooperation with major international companies and enhance overall competitiveness. Since 2021, through the existing mature technology and products of TECO Electric Automation and Intelligent System Business, it will be able to assist Walsin Lihwa's production business process transformation and intelligent production technology upgrade, TECO's energy engineering and electromechanical products division plan to cooperate with Walsin Lihwa's converted solar green energy/energy storage business unit for energy and power storage engineering businesses, and maintain steady growth with closer cooperation. On the whole, this share swap alliance will help TECO and the business of both parties to improve, and many benefits are expected to promote good business performance after the share swap cooperation.

3. The impact of the transfer of shares of other companies on the equity of shareholders

The strategic alliance between TECO and Walsin Lihwa has established a close cooperative relationship through share exchange instead of mergers and acquisitions, but still maintains their respective areas of expertise, continues to deepen the vertical market, and integrates with complementary sharing of marketing resources and full cooperation. With each other's corporate resources, the complementary effects of customer marketing and product lines will be brought into play, and economies of scale will be increased. This will expand the scale of operations of both parties and improve overall operational performance, strengthen the competitiveness of the two companies' industries, and create positive value for their respective shareholders. In addition, after TECO's new share issuance and the transfer of Walsin Lihwa shares, TECO's holdings in Walsin Lihwa accounted for 5.9841% of the total issued shares of Walsin Lihwa, and the after-tax net profit of Walsin Lihwa for the 2020 was NT\$7,005,801 thousand. Therefore, TECO Electric will share its operating profits in the future, and the cash dividends distributed according to the investment ratio can create stable cash inflows every year. On the whole, through this share swap alliance, it is expected that it will help enhance the operations and profits of both parties, create maximum corporate value for shareholders, and will have a positive effect on creating future industry competitive advantages for both parties and enhancing shareholders' equity.

In summary, this strategic alliance between TECO and Walsin Lihwa is of substantial significance to the future development of TECO. With the close cooperation between the two parties, the marketing channels, product lines and R&D resources are complementary and fully shared. Under the cooperation, the integration of each other's corporate resources will increase the benefits of economic scale, enhance the company's competitiveness, and then expand market opportunities, improve operational performance, and create a win-win situation for shareholders of both parties. Therefore, after TECO issues new shares and acquires Walsin Lihwa shares, it should have a positive benefit to its finances, business and shareholders' equity, and the expected benefits are reasonable.

4.7.2 In the most recent year and as of the date of publication of the annual report, the board of directors has approved the merger or transfer of shares of another company to issue new shares, the execution status and basic information of the merger and transferee company shall be disclosed

1. In the most recent year, as of the date of publication of the annual report, the board of directors has passed the resolution of mergers and acquisitions or the transfer of shares of other companies to issue new shares

The company passed the resolution of the board of directors on November 20, 2020, to exchange shares with Walsin Lihwa Co., Ltd. (hereinafter referred to as Walsin Lihwa): the company increased its capital and issued 171,103,730 ordinary shares, and exchanged 205,332,690 shares of Walsin Lihwa. , The share exchange ratio is 0.8333 ordinary shares of the company in exchange for 1 ordinary share of Walsin Lihwa, and the base date of the share exchange is January 6, 2021. The ratio of its share exchange has been issued by a reasonable opinion issued by Crowe (TW) CPAs, and it should be reasonable. The application for new shares to be issued by another company's shares was approved by the Financial Regulatory Commission, and the change registration was completed in January 2020.

4.7.3 Basic information sheet of the transferee company

Unit: NT\$ thousand

Company Name		Walsin Lihwa Co., Ltd.
Company Address		25th Floor, No. 1, Songzhi Road, Xinyi District, Taipei City
principal		Yu-Lon Chiao
Paid in Capital		34,313,329
Major Business Items		Electrical cable industry
Major Products		Wire and cable and stainless steel, etc
Financial information for the most recent year	Total Asset	151,564,006
	Total Liability	64,283,176
	Total Shareholders' Equity	87,280,830
	Operating Revenue	112,546,603
	Gross Profit	12,468,338
	Operating Profit	7,385,062
	Net Income	7,005,801
EPS		2.04

4.8 Financing Plans and Implementation

Not applicable

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Business Scope

Business Scope	Sales %
Electrification and Automation Products	55%
Home Appliances and Air Conditioners	11%
Engineering	10%
Others	24%
Total	100%

B. Products and service nowadays

a. Electrification Products

- 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)
- 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
- AGV (automated guided vehicle) smart platform and key components
- Industrial Motor Drive Products (Inverter/Servo Drive)
- Drive products for electric vehicle power system

c. Home appliance and air conditioner

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

d. Energy & Engineering and equipment

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

e. Other

- Electric vehicle
- Intelligent motor electromechanical monitoring system
- E-House integrated industrial air conditioning solution
- Integrated fire pump solution
- Energy saving and intelligent supervisor service for air quality
- High-efficiency intelligent aerator

C. New products development

a. Electrification Products Business:

In response to the development trend of industrial applications in the industry, and adhering to TECO's core values of "energy saving, emission reduction, intelligence, and automation", it plans to develop the following new products: high power density vertical motors for water resources, direct drive propulsion motors for marine applications, High-speed permanent magnet motors and drivers for large-scale compressor applications, new-generation ultra-high-efficiency IE4 synchronous reluctance motors, power systems for electric buses, electronic control motors for air-conditioning, digital intelligent products (e.g. motors, high-efficiency boosters) Oxygen machine, rail vehicle traction motor, etc.). In response to the industry development trend, we actively invest in the development of related technologies for system energy saving and green energy development: ultra-low-speed high-torque direct drive motors & drive technology development, offshore wind turbine technology development, and high-temperature smoke exhaust inverter motors for both fire and ventilation purposes. Technology and development of refrigerant-resistant insulation systems for air-conditioning, etc.

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. For refrigerators and washing machines, we have launched miniaturized, first-class inverter products, in response to the trend of urban life, energy saving and carbon reduction. In addition, for 600L refrigerators, the patented function of freezing and refrigeration switching is introduced. TV products also launched GOOGLE Android 9.0 TV in response to the trend of intelligence.
- 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. With high IPLV design with multi-pressure single system, to develop 90-600RT magnetic levitation centrifugal ice water machine ; and it has obtained Keelung Port Authority West Third Warehouse Replacement Bid Case and Love Home Case, which are 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.

c. The Energy & Engineering business

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.

d. 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 motor drive technology and a system integration solution combining controller/human-machine interfaceservo drive technology, to meet the needs of manufacturers' production line flexibility, energy saving, and high efficiency. The new inverter series strengthen the networking function and combine with smart devices, which can be highly integrated in application fields such as mobile vehicles/medical equipment/ mechanical arm, to meet customer needs for Industry 4.0. TECO takes AGV autonomous positioning and navigation as the foundation for the development of mobile robots to serialize products and provide customized services. We continue to develop AGV products of different loads, and follow-up carts and service robots for different field applications also. For strategies in robotics development, collaborative robot arm joint module is being developed in order to accelerate the popularization of robotic arms and make the development of intelligent automation industry more flexible. In order to comply with the international and market trends, and to cooperate with the development of green energy and carbon reduction, TECO has also begun to develop drive products for electric vehicle power systems.

5.1.2 Industry Overview

A. Electrification Product Industry

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. The EU will take the lead in increasing the energy efficiency of motors to IE4 in 2023, 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 newly launched inverter has enhanced functions such as automatic adjustment, high-speed communication, safety protection, anti-noise interference, etc., in addition to showing its skills in the application field of factory automation, it also expands its excellent control technology to commercial and home use. The new generation of servo products combined with EtherCAT communication products will be promoted to new applications of robot arms. In recent years, in addition to the application of AC servo products to the factory applications of Industry 4.0, DC servo has been actively applied to the research and development of AGV and smart logistics visual sensor control technology, using experience as the driving force for development and creating better products. This year we launched the more powerful F-series intelligent follower vehicle & X-series follower drive module, which are more powerful and widely used in logistics and warehousing and handling automation, to provide global customers with advanced solutions and customized application options. The prospect of electric vehicles is very promising, The government's green energy policy (increasing stringent emission standards, subsidy policies that encourage purchases). The improvement of the efficiency of the electric vehicle itself (endurance, speed, humanized design), raising public awareness of environmental protection, four factors of decreasing manufacturing cost, are the key factors to drive electric vehicles to maintain rapid growth in the market continually.

B. Home-appliances industry

"In deciding to push smart home appliances, TECO Group has defined its role as a home-appliances brand integrating science, technology, and intelligence." Therefore, TECO has forayed into market from IT angle, integrating the group's internal resources, including industrial drive, motor control, communications, and

computing technologies, making TECO not only a home-appliances brand but also a home-appliances technological service provider. With firm grip on the development of industrial energy conservation, the company has developed a whole series of energy-saving products meeting government standard for first-tier energy performance and engaged in joint development with other enterprises and government R&D units. Under the auspices of government-sponsored Technology Development Program, the company has applied cutting-edge energy conservation technology in technological innovation, product innovation, and service innovation, thereby enhancing the international competitiveness of Taiwanese brands.

C. Energy & Engineering Industry

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\$1,027,177 thousand on R&D in 2020. R&D expense is booked as NT\$251,687 thousand as of the end of March in 2021.

a. Industrial Motors Category

1. Serial development of induction motors for high power density vertical pumps
2. Steel plate shell motor for new generation wind-hydraulic machine
3. IE4 flameproof explosion-proof motor
4. Permanent magnet ship propulsion motor
5. Low-speed high-torque permanent magnet motor
6. Permanent magnet motor for compressor
7. Offshore wind turbine technology
8. Synchronous reluctance high-efficiency motor products
9. Digital motor products

b. Automation and Intelligent System Category

1. Development of streamlined servo drive products
2. Open industrial Ethernet Profinet high-speed communication card/module product development
3. IIoT application development controller Bluetooth connection module and APP application

development

4. Re-optimization of frequency conversion control and motor drive technology
5. Development of self-adjusting motor parameter technology on servo control line
6. Product development of compact and universal DC servo drive
7. Cobot Joint module (CJM) joint module product development
8. Development of frameless hollow shaft servo motor
9. Development of magnetic encoder
10. AGV unmanned guided vehicle control platform technology development
11. Development of next-generation servo drive prototype
12. Development of power phase/frequency automatic detection technology
13. Development of multi-axis motion controller prototype
14. Development of the prototype of the food delivery robot
15. SLAM automatic navigation technology development
16. AMCL path positioning technology development
17. Development of differential motion control technology
18. Self-adjusting adjustment feature selection function development
19. SiC module drive technology
20. Development of meal-receiving robot technology
21. Development of image and speech recognition technology
22. Development of lightweight delivery service robot
23. Development of smart mobile platform with low load (40kg)
24. Development of charging devices for smart mobile platforms
25. Follow-up cart product/module development

c. Renewable energy- green energy

1. OEM and development of EV motors
2. Development of offshore wind generator technology
3. Development of traction motors for rail vehicles

d. Freezing and Air-Conditioning Category

1. Research and development of a full range of R32 window-type inverter cooling and heating machines
2. The first development of PM2.5 cleaning module for household inverter high-capacity air conditioners
3. High CSPF household inverter air conditioner (1 to 1 to 1 to many)
4. R32 environmentally friendly refrigerant separation type one-to-one frequency conversion light business model research and development
5. Full range of high CSPF water-cooled box type inverter air conditioners
6. Miniaturization/lightweight of high CSPF frequency conversion multi-unit VRF air conditioner
7. Research and development of air-cooled large-capacity ice-blowing water unit
8. Research and development of high IPLV magnetic levitation centrifugal unit
9. AHU air conditioning box
10. Frequency conversion energy-saving refrigerator with free switching between fruits and vegetables
11. Research and development of high-efficiency inverter commercial refrigerators
12. Special anti-corrosion/high static pressure box type inverter air conditioner for steel/telecommunications industry
13. Mobile Internet Home Inverter Air Conditioner Smart Diagnosis Service APP
14. Central air-conditioning energy-saving system solutions

e. Industrial Internet of Things:

1. WiFi application system development
2. Edge computing system application
3. Application field:

- a. Edge computing system application applied to VPI continuous furnace process monitoring and production history automation in Zhongli No. 1 Plant, and establish a traceability system
- b. WiFi system application applied to the digital management system of the assembly line of Chungli No. 1 Factory
- f. Smart mobile platform
 - 1. Integration and modularization of vehicle electromechanical system: integrate the vehicle magnetic track following system into the smart transport system, so that the vehicle can be integrated with track or trackless control, and increase the flexibility of use
 - 2. Vehicle sensing data collection and analysis: establish a vehicle operation management system, and analyze the causes of abnormal conditions by counting
- g. Data Analysis
 - 1. The development of equipment foreseeing maintenance technology:
 - a. Intelligent equipment maintenance is established in the VPI system drying furnace equipment management
 - b. Intelligent monitoring of equipment, when equipment production is over, immediately give production scores and abnormal collections
- h. Visual positioning and inspection module-applied to factory automation project integration
 - 1. Modular design image processing system architecture
 - 2. Modularized development of image processing functions

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.

For the commercial air-conditioning part, 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 Energy & Engineering 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) Electrification Products

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, 10% for washing machines, 6% for LCD, and 30% for commercial-use air conditioners.

(3) Appliance products

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) Electrification 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.

In terms of production technology, TECO integrated existing low-voltage motor production lines and supply chain management resources, established four production centers (Mainland, Taiwan, Vietnam, India), applied the industrial Internet of Things (IIoT) technology developed by the company, and introduced key process automation and The global battle situation room system, which uses digital management methods for the scheduling of resources and supply chains of each production center, and real-time monitoring and improvement of the overall equipment efficiency of each factory, and the establishment of a "motor fixed sub-automated production center" and "The Motor Stamping Automation Production Center" uses 3D vision robotic arms, unmanned trucks and automatic winding machines to form the largest and most complete industrial motor intelligent production line in Asia.

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

Looking forward to the future, in order to meet the strong demand for energy-saving, high-efficiency and electric vehicle motors in the mainland and Asia-Pacific markets, heavy electrical products will continue to invest in permanent magnet motors exclusive automatic electrical winding lines, rotor visual dynamic balancing and automatic magnetizing and magnetizing equipment. Improve the quality reliability and market competitiveness of such new products, and at the same time continue to strengthen the integration of marketing and production, 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 2021, 5.2GW of solar photovoltaic power generation systems and 0.8GW of wind turbines have been built domestically. There are still 14.8GW of solar photovoltaic power generation systems to be built by 2025,

with approximately NT\$740 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) Electrification Products

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

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

A. Strong sales network

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

B. Solution projects and after service

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

C. M&A

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

Favorable and unfavorable factors for Electrification Product business, along with countermeasures follow:

a. Favorable factors

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

b. Unfavorable factors

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

c. Countermeasures

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

(2) Home Appliances and Air-Conditioning Business

a. Favorable factors

- TECO's home-appliances division has constantly rolled out innovative high-performance products, taking advantage of the company's good brand image, synergy resulting from resource sharing of the group, and its variable-frequency drive technology, which was transformed via re-platform from heavy-electricity variable-frequency drive technology to bring TECO's home appliances enter into 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 overcome 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 40.
- 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

Output Year	2019			2020		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products						
Motor	1,458,426	1,014,288	12,369,751	1,458,426	960,995	11,486,941
System Automation	12,171,562	6,367,550	4,017,916	12,171,562	6,125,065	4,020,229
Home Appliance	293,631	228,189	2,345,431	293,631	269,806	2,456,881
Others	339,084	339,084	1,181,774	339,084	218,567	666,178
Total	14,262,703	7,949,111	19,914,872	14,262,703	7,574,433	18,630,230

5.2.5 Shipments and Sales over the Last Two Years

Unit: Units; NT\$thousand

Shipments & Sales Major Products	Year		2019				2020			
			Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Motor & System Automation	1,510,914	6,231,149	3,642,183	22,826,225	1,677,956	6,817,134	3,033,931	18,345,151		
Home Appliance & Air Conditioner	576,106	4,403,114	119,457	661,235	607,190	4,612,692	125,834	655,561		
Construction		3,198,620				4,412,276				
Other		8,730,047		1,858,968		9,881,592		1,099,024		
Total	2,087,020	22,562,930	3,761,640	25,346,428	2,285,146	25,723,694	3,159,765	20,099,736		

5.3 Human Resources

Year		2019		2020		March 31 2021	
		TECO	Global	TECO	Global	TECO	Global
Number of Employees		2,252	14,530	2,190	14,290	2,166	14,056
Average Age		42.2	40.4	42.7	40.9	42.9	41.02
Average Years of Service		14.5	9.9	14.7	9.9	14.8	10.04
Education	Masters above	14.9	6.5	14.8	6.7	14.7	6.8
	Bachelor's Degree	52.7	48.6	53.6	49.6	53.6	49.4
	Senior High School	27.1	33.1	26.2	32.5	26.4	32.1
	Below Senior High School	5.3	11.8	5.4	11.2	5.3	11.7

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 the company's losses (including compensation) due to environmental pollution in the most recent year and as of the publication date of the annual report, the total amount of dispositions, future countermeasures and possible expenditures.

5.4.1 Loss resulted from polluting environment

None

5.4.2 Countermeasures

A. In order to fulfill the corporate social responsibility, some improvement measures are proposed

a. Increase environmental protection equipment and improve the process plan

In order to reduce greenhouse gas emissions and fulfill corporate social responsibilities, TECO has introduced solar power generation systems in the Kuanyin and Chungli plants; the Hukou plant has made process improvements to greatly reduce SF6 process emissions. Improve the production process of home

appliances, greatly reduce the escape rate of test refrigerants, and recycle them to reduce production costs. Introduce remote monitoring technology to grasp the environmental indicators around the factory at any time; purchase environmental protection and energy-saving equipment; use TECO's existing control and motor technology to develop energy-saving products, and assist cooperating factories to introduce energy-saving spray production systems; strengthen existing equipment Maintain and process waste reduction, improve the workplace environment, promote energy conservation, waste water recycling, and waste recycling to prevent and control pollution, and comply with laws and regulations

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. Efforts will be made to promote the use of friendlier R32 refrigerants in home appliances, so as to greatly increase the use of more environmentally friendly refrigerants on the client side. At the same time, the refined process will be carried out to greatly reduce the use of refrigerants for process testing.

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. 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 2020 inventory result is 43,578 metric tons, which has been reduced by 16% to 80%. Since 2006, 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
Build a rooftop solar panel power generation system in the factory 1. The second phase of Kuanyin Factory has been connected to the grid in early 2020 2. In the first quarter, the Chungli plant began to be connected to the grid	Baking oven air door, energy-saving spray booth, other energy-saving cases	Baking oven air door, energy-saving spray booth, other energy-saving cases

2020	2021	2022
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)

2021	2022	2023
\$ 69,720	\$ 40,149	\$ 39,224

(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 2020, compared with the 2015 base year(179,029kg), total volatile organic compound (VOC) emissions have been reduced by 104,405 kg, a reduction of 58.3%.
- 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. Recycle business waste to reduce costs
- iii. Improve air and water pollution, in line with laws and regulations
- iv. Avoid losses caused by pollution disputes or work suspension caused by 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 directly reduces greenhouse gas emissions. In response to the international trend of reducing greenhouse gas emissions, the implementation of future carbon taxes

can reduce potential trade barriers and cost burdens caused by carbon taxes, increase product sales opportunities, and improve competitiveness of the company's products

- ii. Recycle and reuse business waste, reduce costs, and increase product competitiveness
- iii. 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

The company was selected as an emerging market component of DJSI Dow Jones Sustainability Index in 2020, marking the first Taiwanese mechanical and electrical industry to be selected for this award. And in terms of labor and human rights, we got high scores of 94 and 84 respectively, which shows that the company attaches great importance to the development and care of employees.

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.
- d. Management associates training: In order to cultivate supervisor leadership and management ability, a series of courses such as basic management associates training, intermediate management associates training and new supervisor training are planned every year for potential talents. All the colleagues who want to be promoted to supervisor positions in each unit in the future must pass first. Relevant training courses can be qualified for promotion to ensure that supervisors have basic leadership and management skills

- e. Succession echelon training: The company cooperates with Chengchi University to set up a special class for middle and high-level executives to cultivate talents with company operations and continuous growth. It also handles two evaluations for the promotion of middle-level executives or higher positions each year. Discuss on all aspects of business. The review is composed of the company's top executives, as well as academic and industry experts. Through an open, diversified and comprehensive review mechanism that takes into account both depth and breadth, outstanding talents can strive for the stage of development and promote their performance and ability. In addition, cultivate the height of its thinking

B. Protection of employee rights

- a. Job search security and gender equality protection: TECO, in accordance with the Personal Data Protection Law, protects the personal information of job-seekers and does not use it for purposes other than recruitment and selection without the consent of job-seekers. In terms of employment objects, it fully complies with the provisions of the Labor Standards Law, does not hire people under the age of 15 to perform labor work, and to balance the gender structure, the company guarantees the number of women recruited through key performance indicators. The proportion of women in the company in the past three years Has increased from 27.7% to 29.3%
- 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, 1995, 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 builds communication bridges with employees, and has won the National Labor-Management Relations Excellent Institution Award, the Labor-Management Conference Demonstration Observation Award, and Taoyuan County's "Excellent Industrial Relations Institution Award". In addition to the labor unions, labor-management meetings, and regular employee quarterly meetings and factory meetings, colleagues also conduct [employee satisfaction surveys] every year, and respond to their needs through anonymous questionnaire surveys

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. birthday leave: Birthday is a special day for individuals once a year. In order to allow colleagues to flexibly arrange activities in the month of birthday and fully feel the joy of birthday, the company has set up a birthday leave to show the company's blessing
- d. Physical and mental health promotion: In order to take care of the physical and mental health of employees, in addition to providing safe, healthy and delicious employee restaurants, the company has set up infirmaries and outpatient clinics in each factory area, and has full-time nursing staff. health. At the same

time, it promotes various health promotion activities, establishes various leisure and sports clubs, and provides spiritual growth and stress relief massage services. It is also committed to the establishment of a "maternal friendly environment". The nursing room was certified as excellent in the Taipei City Evaluation in 2019. It also provides maternal health protection consultation for pregnant female employees, so that colleagues can start a family with peace of mind.

D. Guidelines for employee behavior or ethics

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 "Procedures for Ethical Management and Guidelines for Conduct" with major contents including:

- (a) The staff in the implementation of the company's business, should avoid by means of its position in the company as of to themselves, spouse, parent, child or any other person to obtain improper benefits.
- (b) The company's internal information (or information related to the company's interest or business), be it in the aspect of technology, finance, or business, is the company's business secret, for which employees have the obligation of confidentiality and cannot leak it to any outside party. In addition, after leaving the company, employees still have to abide by the confidentiality obligation according to the principle of integrity and refrain from leaking the company's secrets or utilize them in engaging in illegal competition.
- (c) Stake with customers: Employees should obey the law and related regulation of the company to avoid inappropriate present under any other's name or in any way. Trading with customers and suppliers sincerely fairly and transparently with steady, professional attitude.
- (d) Political donation: Employees should not donate to or sponsor via other means political candidates under the name of the company or its affiliated institutions.
- (e) Charitable donation: When making any charitable donation or sponsorship, staffers should check the outlet and purpose of such donation and sponsorship to make sure it doesn't become bribery in disguise.
- (f) Obligation of reporting and informing: The company encourages open communication with staffers and third parties, who can report or inform management or human-resources unit for any question, finding, unfair treatment at worksites, or violation of the guidelines, without vicious fabrication, though. The company will handle such reporting or informing confidentially and protect those who take part in the investigation.

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 (ROC)	3	0
CPA (US)	1	0
Certified Internal Auditor	1	2
CFA	1	0
Securities, futures and investment trust investment advisory test organized by the Securities and Exchange Commission	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 924 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	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
3. 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
4. Project Undertaking	Exyte Taiwan Co., Ltd.	1. Signing date June 27, 2019 2. Maturity date October 2, 2020	CHG-4 ELECTRICAL WORKS	Nil
5. Purchase sales contract	Purchasing Department, Bank of Taiwan Co., Ltd.	1. Signing date: February 21, 2020 2. June 30, 2023 (the last shipment date)	Sale of digital ID card PC chip card and printing equipment B-type procurement	Nil
6. Major credit contract	ANZ Bank, HSBC (Taiwan), and First Commercial Bank Co., Ltd, ...	From August 4, 2016, no later than March 11, 2035	long-term financing contract, interest rate 0.50% -1.75%, and provide asset pledge guarantee	The contract sets different restrictions on the maintenance of capital, the use of funds, and the acquisition and disposal of major assets during the borrowing period. It also requires that certain financial ratios should be maintained
7. Share Swap agreement and memorandum of cooperation	Walsin Lihwa Co., Ltd.	Signed on November 20, 2020	1. TECO intends to issue new shares to exchange Walsin Lihwa's shares. The SWAP ratio is 1.200048 shares of Walsin Lihwa's common stock for every 1 share of TECO's common stock 2. Base date for share exchange: tentatively set as January 6, 2020. 3. Business strategic cooperation intention.	Nil
8. Project Undertaking	Century Biotech Development Corporation	After notice of bid award, the construction shall be completed before September 30, 111	The new mechanical and electrical engineering of Taipei Nangang Biotechnology Industry Building (BOT)	Nil
9. Memorandum of Cooperation	Chunghwa Telecom Co., Ltd. and Taiwan Microsoft Co., Ltd.	From March 16, 2021 to February 28, 2022	Business strategic cooperation intention	Nil
10. Letter of Intent	RAC Electric Vehicles Inc	Two years from March 17, 2021	Business strategy cooperation intention	Nil

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				
		2016	2017	2018	2019	2020
Current assets		10,599,153	9,781,308	10,343,772	9,287,505	10,468,388
Property, plant and equipment		3,643,481	3,761,489	3,739,530	3,520,118	3,093,090
Intangible assets		0	0	0	0	0
Other assets		55,941,991	57,232,136	58,712,398	62,737,576	68,034,837
Total assets		70,184,630	70,774,933	72,795,700	75,545,199	81,596,315
Current liabilities	Before distribution	9,029,583	9,350,717	8,468,684	11,002,572	10,139,131
	After distribution	10,791,953	11,073,033	10,239,608	12,950,588	12,598,747 (Note)
Non current liabilities		11,423,480	9,594,451	10,648,356	7,836,123	9,628,889
Total liabilities	Before distribution	20,453,063	18,945,168	19,117,040	18,838,695	19,768,020
	After distribution	22,215,433	20,667,484	20,887,964	20,786,711	22,227,636 (Note)
Equity attributable to owners of parent		49,731,567	51,829,765	53,678,660	56,706,504	61,828,295
Capital stock		20,026,929	20,026,929	20,026,929	19,676,929	19,676,929
Capital surplus		7,671,889	7,628,542	7,647,215	7,389,577	7,386,901
Retained earnings	Before distribution	21,187,539	22,469,336	25,221,021	26,390,805	27,936,917
	After distribution	19,425,169	20,747,020	23,450,097	24,442,789	25,477,301 (Note)
Other equity interest		1,166,773	2,026,521	1,105,058	3,570,756	7,339,258
Treasury Stocks		(321,563)	(321,563)	(321,563)	(321,563)	(511,710)
Non-Controlling Interest		0	0	0	0	0
Total shareholders' equity	Before distribution	49,731,567	51,829,765	53,678,660	56,706,504	61,828,295
	After distribution	47,969,197	50,107,449	51,907,736	54,758,488	59,368,679 (Note)

Note : Amounts resolved by the board meeting dated on March 23rd 2020

B. Consolidated Condensed Balance Sheet-IFRS

Unit: NT\$thousand

Year		Five-Year Financial Summary				
		2016	2017	2018	2019	2020
Item						
Current assets		45,296,310	44,262,768	43,760,371	43,946,576	45,792,352
Fixed assets		18,463,450	17,922,299	17,363,543	16,742,830	15,912,788
Intangible assets		5,636,766	5,612,315	5,557,343	5,200,634	5,269,715
Other assets		22,977,430	24,219,575	25,300,029	33,204,364	38,704,216
Total assets		92,373,956	92,016,957	91,981,286	99,094,404	105,679,071
Current liabilities	Before distribution	18,958,845	18,742,356	18,141,380	20,293,826	19,618,968
	After distribution	20,721,215	20,464,672	19,912,304	22,241,842	22,078,584 (Note)
Non Current liabilities		17,690,568	15,400,464	15,348,991	17,095,788	18,434,871
Total liabilities	Before distribution	36,649,413	34,142,820	33,490,371	37,389,614	38,053,839
	After distribution	38,411,783	35,865,136	35,261,295	39,337,630	40,513,455 (Note)
Equity attributable to owners of parent		49,731,567	51,829,765	53,678,660	56,706,504	61,828,295
Capital stock		20,026,929	20,026,929	20,026,929	19,676,929	19,676,929
Capital surplus		7,671,889	7,628,542	7,647,215	7,389,577	7,386,901
Retained earnings	Before distribution	21,187,539	22,469,336	25,221,021	26,390,805	27,936,917
	After distribution	19,425,169	20,747,020	23,450,097	24,442,789	25,477,301 (Note)
Other equity interest		1,166,773	2,026,521	1,105,058	3,570,756	7,339,258
Treasury Stocks		(321,563)	(321,563)	(321,563)	(321,563)	(511,710)
Non-Controll Interested	Before distribution	5,992,976	6,044,372	4,812,255	4,998,286	5,796,937
	After distribution	5,992,976	6,044,372	4,812,255	4,998,286	5,796,937
Total shareholders' equity	Before distribution	55,724,543	57,874,137	58,490,915	61,704,790	67,625,232
	After distribution	53,962,173	56,151,821	56,719,991	59,756,774	65,165,616(Note)

Note : Amounts resolved by the board meeting dated on March 23rd 2020

6.1.2 Condensed Statement of Income

A. Condensed Statement of Income-IFRS

Unit: NT\$thousand

Item \ Year	Five-Year Financial Summary				
	2016	2017	2018	2019	2020
Sales revenue	20,274,047	21,301,208	20,879,719	18,873,312	19,819,029
Gross profit	4,739,556	4,576,185	4,412,191	4,046,442	4,061,136
Operating profit	1,615,152	1,507,068	1,410,943	1,114,970	1,075,033
Non-operating income & expenses	2,007,272	1,797,400	1,883,866	2,387,349	2,583,162
Profit before income tax	3,622,424	3,304,468	3,294,809	3,502,319	3,658,195
Income from operations of continued segments - before tax	3,481,480	3,092,358	3,150,089	3,221,717	3,511,358
Income from discontinued departments	0	0	0	0	0
Profit for the year	3,481,480	3,092,358	3,150,089	3,221,717	3,511,358
Other Comprehensive Income for the year	354,727	811,557	402,449	2,453,917	3,751,272
Total Comprehensive Income for the year	3,836,207	3,903,915	3,552,538	5,675,634	7,262,630
Profit (loss) attributable to owners of parent	3,481,480	3,092,358	3,150,089	3,221,717	3,511,358
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	3,836,207	3,903,915	3,552,538	5,675,634	7,262,630
Total Comprehensive Income for the year profit (loss) attributable to non-controlling interest	0	0	0	0	0
Earnings per share	1.76	1.56	1.59	1.65	1.81

B. Consolidated Condensed Statement of Income-IFRS

Unit: NT\$thousand

Item \ Year	Five-Year Financial Summary				
	2016	2017	2018	2019	2020
Sales revenue	49,923,836	50,942,521	50,104,927	47,909,358	45,823,430
Gross profit	13,134,395	12,196,268	12,052,659	11,481,649	10,756,093
Operating profit	4,189,481	3,496,200	3,520,486	3,536,445	3,534,057
Non-operating income & expenses	743,810	857,704	765,802	903,009	865,691
Profit before income tax	4,933,291	4,353,904	4,286,288	4,439,454	4,399,748
Income from operations of continued segments - before tax	4,036,998	3,544,248	3,475,969	3,518,780	3,811,648
Income from discontinued departments	0	0	0	0	0
Profit for the year	4,036,998	3,544,248	3,475,969	3,518,780	3,811,648
Other Comprehensive Income for the year	323,292	781,789	433,011	2,520,910	3,791,939
Total Comprehensive Income for the year	4,360,290	4,326,037	3,908,980	6,039,690	7,603,587
Profit (loss) attributable to owners of parent	3,481,480	3,092,358	3,150,089	3,221,717	3,511,358
Profit (loss) attributable to non-controlling interest	555,518	451,890	325,880	297,063	300,290
Total Comprehensive Income for the year profit (loss) attributable to owners of parent	3,836,207	3,903,915	3,552,538	5,675,634	7,262,630
Total Comprehensive Income for the year profit (loss) attributable to non-controlling interest	524,083	422,122	356,442	364,056	340,957
Earnings per share	1.76	1.56	1.59	1.65	1.81

6.1.3 Auditors' Opinions from 2015 to 2019

Year	CPA Firm	CPA's Name	Auditing Opinion
2020	PricewaterhouseCoopers, Taiwan	Wu, Yu-Lung Chou, Chien-Hung	Unqualified Opinion(Other Item)
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

6.2 Five-Year Financial Analysis

6.2.1 Five-Year Financial Analysis-IFRS

Item \ Year		Financial analysis in the past five years				
		2016	2017	2018	2019	2020
Financial structure (%)	Ratio of liabilities to assets	29.14	26.77	26.26	24.94	24.23
	Ratio of long-term capital to fixed assets	1,603.47	1,566.42	1,656.05	1,761.49	2,231.05
Solvency (%)	Current ratio	117.38	104.60	122.14	84.41	103.25
	Quick ratio	71.64	67.15	74.89	48.97	63.53
	Times interest earned ratio	30.34	36.02	35.78	35.91	41.15
Operating ability	Accounts receivable turnover (turns)	5.01	5.30	5.63	5.47	5.52
	Average collection period	72.85	68.87	64.83	66.73	66.12
	Inventory turnover (turns)	4.89	5.43	5.58	5.20	5.57
	Accounts payable turnover (turns)	3.50	3.46	3.59	3.65	3.80
	Average days in sales	74.64	67.22	65.41	70.19	65.53
	Fixed assets turnover (turns)	5.39	5.75	5.57	5.20	5.99
	Total assets turnover (turns)	0.29	0.30	0.29	0.25	0.25
Profitability	Return on total assets (%)	5.20	4.50	4.49	4.45	4.56
	Return on stockholders' equity (%)	7.16	6.09	5.97	5.84	5.92
	Ratio of pre-tax income to issued capital (Note7)	18.09	16.50	16.45	17.80	18.59
	Profit ratio (%)	17.17	14.52	15.09	17.07	17.72
	Earnings per share (\$)	1.76	1.56	1.59	1.65	1.81
Cash flow	Cash flow ratio (%)	25.78	30.30	14.06	16.85	25.00
	Cash flow adequacy ratio (%)	81.11	76.63	67.68	68.53	87.75
	Cash reinvestment ratio (%)	1.03	1.52	-0.79	-0.13	0.09
Leverage	Operating leverage	3.49	3.68	3.77	4.19	4.23
	Financial leverage	1.08	1.07	1.07	1.10	1.09
Key Indicator	Sales growth (%)	-7.04	5.07	-1.98	-9.61	5.01
	Profit after tax growth (%)	9.57	-11.18	1.87	2.27	8.99

6.2.2 Consolidated Five-Year Financial Analysis-IFRS

Item		Year	Financial analysis in the past five years				
			2016	2017	2018	2019	2020
Financial structure (%)	Ratio of liabilities to assets		39.68	37.10	36.41	37.73	36.01
	Ratio of long-term capital to fixed assets		369.12	381.31	398.75	414.38	483.48
Solvency (%)	Current ratio		238.92	236.16	241.22	216.55	233.41
	Quick ratio		170.96	168.32	168.39	157.24	175.05
	Times interest earned ratio		19.47	19.18	20.66	17.95	19.59
Operating ability	Accounts receivable turnover (turns)		4.37	4.42	4.64	4.59	4.41
	Average collection period		83.52	82.58	78.66	79.52	82.77
	Inventory turnover (turns)		2.98	3.19	3.11	3.21	3.36
	Accounts payable turnover (turns)		5.03	4.94	4.84	4.83	4.58
	Average days in sales		122.48	114.42	117.36	113.71	108.63
	Fixed assets turnover (turns)		2.98	2.80	2.84	2.81	2.81
	Total assets turnover (turns)		0.56	0.55	0.54	0.50	0.45
Profitability	Return on total assets (%)		4.82	4.06	3.97	3.90	3.91
	Return on stockholders' equity (%)		7.53	6.24	5.97	5.86	5.89
	Ratio of Pre-tax income to issued capital (%) (Note7)		24.63	21.74	21.40	22.56	22.36
	Profit ratio (%)		8.09	6.96	6.94	7.34	8.32
	Earnings per share (\$)		1.76	1.56	1.59	1.65	1.81
Cash flow	Cash flow ratio (%)		25.58	31.43	23.86	29.21	27.97
	Cash flow adequacy ratio (%)		117.84	122.23	116.89	126.69	134.73
	Cash reinvestment ratio (%)		3.26	4.12	2.57	3.82	2.70
Leverage	Operating leverage		3.57	4.74	3.96	3.93	3.72
	Financial leverage		1.07	1.07	1.07	1.08	1.07
Key Indicator	Sales growth (%)		2.73	2.04	-1.64	-4.38	-4.35
	Profit after tax growth (%)		14.88	-12.21	-1.93	1.23	8.32

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 2020 (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 2021

TECO Electric & Machinery Co., Ltd

Audit Committee Convener : Ting-Wong, Cheng

Date: March 23, 2021

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

7.1 Analysis of Financial Status

Unit: NT\$thousand

Item \ Year	2020/12/31	2019/12/31	Difference		Remark
			Amount	%	
Current Assets	45,792,352	43,946,576	1,845,776	4	
Fixed Assets	15,912,788	16,742,830	(830,042)	(5)	
Intangible Assets	5,269,715	5,200,634	69,081	1	
Other Assets	38,704,216	33,204,364	5,499,852	17	
Total Assets	105,679,071	99,094,404	6,584,667	7	
Current Liabilities	19,618,968	20,293,826	(674,858)	(3)	
Non Current Liabilities	18,434,871	17,095,788	1,339,083	8	
Total Liabilities	38,053,839	37,389,614	664,225	2	
Equity attributable to owners of parent	61,828,295	56,706,504	5,121,791	9	
Capital stock	19,676,929	19,676,929	-	-	
Capital surplus	7,386,901	7,389,577	(2,676)	(0)	
Retained Earnings	27,936,917	26,390,805	1,546,112	6	
Other equity	6,827,548	3,249,193	3,578,355	110	Note 1
Non Controlling Interest	5,796,937	4,998,286	798,651	16	
Total Stockholders' Equity	67,625,232	61,704,790	5,920,442	10	

Note 1: 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 2020.

7.2 Analysis of Operating Results

7.2.1 Operating Results

Unit: NT\$thousand

Item \ Year	2020	2019	Difference		Remark
			Amount	%	
Sales Revenue	45,823,430	47,909,358	(2,085,928)	(4)	
Operating Costs	(35,066,082)	(36,428,606)	1,362,524	(4)	
Gross Profit	10,757,348	11,480,752	(723,404)	(6)	
Realized(Unrealized) Profit from Sales	(1,255)	897	(2,152)	(240)	Note 1
Gross Profit - Net	10,756,093	11,481,649	(725,556)	(6)	
Operating Expenses	(7,222,036)	(7,945,204)	723,168	(9)	
Operating Profit	3,534,057	3,536,445	(2,388)	0	
Non-operating Income and Gains	865,691	903,009	(37,318)	(4)	
Profit before income tax	4,399,748	4,439,454	(39,706)	(1)	
Tax Expense	(588,100)	(920,674)	332,574	(36)	Note 2
Net Income	3,811,648	3,518,780	292,868	8	
Other comprehensive income	3,791,939	2,520,910	1,271,029	50	Note 3
Total comprehensive income	7,603,587	6,039,690	1,563,897	26	Note 4

Analysis and explanation for changes:

1. Mainly due to the increase in inventory at the end of the current year, resulting in an increase in unrealized profit.
2. Mainly due to write back the overestimated income tax payable in the earlier year according to the approved tax.
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. Mainly due to the decrease in operating expenses, the increase in the appreciation of financial assets and the decrease in income tax expenses, therefore the comprehensive income increases this year.

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
19,111,371	5,486,845	4,200,956	20,397,260	-	-
<p>A. Analysis of change in cash flow:</p> <p>a. Operating activities: Mainly due to stable profitability and proper control of the receipt and payment schedule, so that the cash flow of operating activities increased</p> <p>b. Investing activities: Purchase of real estate, plant and equipment is the main reason for cash outflow from investment activities</p> <p>c. Financing activities: The payment of cash dividends, payment of borrowings and lease liabilities are the main causes of cash outflows from financing activities.</p> <p>B. Remedy and liquidity analysis for insufficient cash: not applicable.</p>					

7.3.2 Cash Flow Analysis for the Coming Year

Unit: NT\$thousand

Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Remedy for Cash Deficit	
				Investment Plans	Financing Plans
20,397,260	5,988,029	4,588,202	21,649,304	-	-
<p>A. Analysis of change in cash flow in the current year:</p> <p>a. Operating activities: The impact of the new crown pneumonia epidemic has alleviated, and the export situation in Europe and the United States has improved. Revenue is expected to grow compared with 2020. It is expected that net cash inflows will remain in operating activities this year, and the inflow rate will increase slightly compared with 2020.</p> <p>b. Investing activities: In the core business segment, with the goal of energy conservation, intelligence and automation, expansion of equipment capital expenditures and industrial mergers and acquisitions, it is expected that investment activities will generate net cash outflows this year, and the outflow rate will increase compared with previous years.</p> <p>c. Financing activities: 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, given that cash inflow of the parent company decreases, it must be responded to through bank financing or capital increase.</p> <p>B. Remedy for Cash Deficit and Liquidity Analysis: Not Applicable</p>					

7.4 Major Capital Expenditure Items

7.4.1 Major Capital Expenditure Items and Source of Capital

Unit: NT\$thousand

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure	
				2020	2021~2022
2020 Capital Expenditure – new equipment, equipment renewal and capacity expansion	Working Capital	2020/12/31	757,000	757,000	
2021 Capital Expenditure – new equipment, equipment renewal and capacity expansion	Working Capital	2021/12/31	2,025,000		2,025,000

7.4.2 Expected Benefits

After the above-mentioned capital expenditure and equipment replacement, in addition to increasing the output and production efficiency of heavy electricity, green energy, home appliances and automation & intelligent products, it will also help reduce production costs and improve product quality.

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, in line with the company's long-term development plan and carefully evaluate various investment plans

7.5.2 Major reasons for profits or loss:

The investment loss recognized by the equity method of the Group in 2020 was NT\$ 14,613 thousand. Compared with that in 2019, the investment loss increased, which was mainly due to the increase in the losses of some related companies affected by the epidemic

7.5.3 Investment plan for the next year

The investment plan for the next year will continue to focus on energy conservation, emission reduction, intelligence, automation and digitalization, and expand market share and profit through global production and sales layout and digital operations. In addition, the Taipei Biotechnology Park is expected to be completed by the end of next year to build an international biotechnology park, improve

the biotechnology industry ecosystem, integrate innovative settlements, connect international market resources, and promote characteristic key industries; the Bangalore International Technology Park in India will continue this and next two years Develop the infrastructure and service center of the park, introduce biotechnology/electric vehicles/machine tools and electronics manufacturing related industries, and establish industrial clusters, combining the strengths of Taiwan and India's software and hardware to create bilateral exchanges between Taiwan and India.

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

	2020	Unit: NT\$Thousand
Interest Income or Loss(1)		(41,804)
Sales Revenues(2)		45,823,430
Operating Income(3)		3,534,057
(1)/(2)		(0.09)%
(1)/(3)		(1.18)%

The Company's net interest expense for the year 2020 was NT \$ 41,804 thousand, accounting for 0.09% of annual operating income and 1.18% of operating profit, which represented an decrease from the year 2019.

Looking forward to this year, the global economy is gradually recovering from the epidemic. In order to adjust the inflationary pressure, some countries in emerging markets have begun to raise interest rates. Although the mature market countries have not entered the stage of raising interest rates, they will reach the end of this year following the steady economic recovery. The chances of raising interest rates next year will increase.

In order to reduce the impact of changes in interest rates, the company will adjust the position of New Taiwan Dollar/foreign currency borrowings in due course, or reduce interest rate risk by increasing fixed corporate bonds, etc.

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

	2020	Unit: NT\$thousand
Exchange Gain or Loss(1)		(80,595)
Sales Revenues(2)		45,823,430
Operating Income(3)		3,534,057
(1)/(2)		(0.17)%
(1)/(3)		(2.28)%

The company's year 2020 exchange loss was NT\$80,595 thousand, which was mainly due to the large fluctuations of the euro (appreciation) and the U.S. dollar (depreciation) compared with functional currencies, which caused the exchange loss to increase compared with last year. Looking forward to this year, the global economy is gradually recovering from the epidemic. However, major global markets have recovered at different paces and market volatility has increased dramatically. Currency trends with the United States as a major trading country are highly variable and foreign exchange risk management challenges are high. In addition to continuously paying attention to exchange rate fluctuations, the company has implemented the following countermeasures.

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

As the global economy recovers, the company's main raw materials used by the company are steel, copper, and aluminum, which will increase procurement costs. However, the rebound in global economic growth and the increase in demand for oil and mining exploration will have a positive impact on the company's business activities.

In addition, the purchase of TECO raw materials is mostly negotiated by contract. In the situation of rising prices, prices can be negotiated with suppliers. Therefore, fluctuations in material prices have no significant adverse impact on the company's profit and loss. However, the company will still carefully evaluate the price trend of base metals in the future, and formulate the most suitable procurement strategy in line with operational needs

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 2020, outstanding loans extended by the company amounted to NT\$187,701 thousands.
- C. In 2020, the outstanding amount of the endorsement and guarantee extended by the company reached NT\$2,082,958 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 2020, the derivative products held by the company are mainly forward foreign exchange transactions. Since the counterparties of the transactions are all creditworthy international financial institutions, and the company also trades with many financial institutions to diversify risks, the contract counterparty default risk is very low, so the credit risk of the derivative commodity transactions that the company engages in is very low. In addition, the derivative products held by the company are mainly of a hedging nature, and the resulting profit and loss will offset the profit and loss of the hedging project, so the market risk is also very low. The company calculates the fair value of individual contracts based on the mid-price of the exchange rate reported by the Taiwan Bank's exchange rate
- 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

TECO Group's estimated R&D expenditure in 2021 is NT\$1,181,254 thousand.

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:
 - I. WiFi application system development
 - II. Application of edge computing system
- (ss) Smart mobile platform
 - I. Modularization of vehicle electromechanical system integration
 - II. Collection and analysis of vehicle sensing data

(tt) Data analysis:

I. Development of equipment predictive maintenance technology

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

I. Modular design image processing system architecture

II. Modular development of image processing functions

(vv) Development of joint modules for collaborative robots

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	<ol style="list-style-type: none"> 1. Research and development of high-performance servo motors and drives 2. Development of high power density motor series 3. Steel shell & cast iron shell motor product optimization 4. Research and development of commercial full DC inverter air-cooled box-type air conditioners 5. Development of Multi-Pressure Single System of High IPLV Magnetic Levitation Centrifugal Unit 6. Sinusoidal sensorless drive technology research and development 7. Servo parameter automatic adjustment technology 8. Development of T-Power 50~130 car electric power kit 9. Smart battery and battery management system development 10. Development of brake energy recharging technology 11. Research and development of vehicle verification technology for energy-saving electric vehicles 12. Development of vehicle electric power battery verification technology 13. Single-axis high-performance servo drive 14. Matrix converter technology development 15. AGV product development 16. Development of next-generation inverter prototype 17. Multi-vehicle AGV system development 18. Thin (axial) motor design 19. GaN drive technology development 20. Joint module system integration (S1/M1) 21. Smart follower car development 22. Motor drive integrated machine development 23. Magnetic bearing technology development 24. Power converter (PCS) technology research and development 25. Motor heat flow technology research and development
Mid-term	Accumulation of core technological strength & Development of new technological strength	<ol style="list-style-type: none"> 1. Research and development of medium and high voltage inverter technology 2. High-end frequency conversion technology research and development 3. Development of new generation steel shell motor products 4. High-speed permanent magnet motor and driver development 5. Development of ultra-low-speed direct-drive permanent magnet motors 6. Offshore wind turbine technology development

Term of R&D	Focus	Major R&D items
		<ul style="list-style-type: none"> 7. Development of ultra-high efficiency synchronous reluctance motor 8. Electronic control motor (ECM) product development 9. Development of motor insulation system that is resistant to high temperature and refrigerant environment 10. Digital home application technology in smart phones 11. Gateway technology of electronic control product series 12. HVAC air conditioning system cloud monitoring expert diagnosis system opened 13. Development of energy-saving solutions for HVAC air-conditioning systems 14. Development of mid-temperature condensing unit in supermarkets 15. Development of low-temperature condensing unit for agriculture, fishery and aquatic products 16. Extended development of indoor service equipment 17. Multi-axis servo drive technology development 18. Serialization of next-generation inverters 19. Outdoor AGV technology development 20. T-Power 250 electric bus power system development 21. Collaborative robot development 22. Development of thin (axial) motor integrated machine 23. Maglev motor research and development 24. Joint module (S2/M2) system integration 25. Navigation technology research and development
Long-term	Deployment in new business scope	<ul style="list-style-type: none"> 1. Development of high-efficiency smart aerator 2. Development of intelligent motor products and technical services 3. Development of traction motors for rail vehicles 4. Machine networking system integration research and development 5. Micro smart grid system integration research and development 6. Research and development of new generation digital home appliance system 7. Research and development of new generation industrial servo system 8. Multi-axis servo system integration research and development 9. Outdoor AGV prototype development 10. Serialization of next-generation inverters 11. R&D of next-generation all-in-one 12. Autonomous driving technology research and development 13. Development of T-Power 150~250 car electric power kit 14. Collaborative robot series product development 15. Axial magnetic gear research and development 16. Flywheel energy storage 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

Based on the social trend of declining employment population and the demand for green energy, the company is considering global development trends, responding to government industrial policies, and examining its existing technological energy and corresponding industrial growth. In addition to continuing to strengthen its technical advantages in high-efficiency power motors, environmentally friendly refrigerant applications for home appliances, and frequency conversion energy saving, it also closely studies international technology trends and market trends reports, and introduces innovative methodologies. In order to respond to the social trend of declining employment population, plan the biomedical technology forum and long-term technology development blueprint, and complete the strategy and timetable of the plan. In order to meet the demand for green energy, there are plans for electric vehicle motors, wind generators, smart grid peripheral appliances, green energy-saving appliances, and multi-connected air-conditioning systems

Since 2017, the Forward-looking Technology Advisory Committee will continue to scan the top forward-looking technologies, catch up with the technology and products of leading technology companies, strengthen and screen the applications and maintenance of effective intellectual wealth, and actively participate in the relevant disciplines of the new government's industrial policy. Join the R&D of gateway technology of the electronic control product series, strengthen the quality and taste of the remote monitoring of motors and generators, the R&D of high-end servo motor drives and the R&D of reluctance motors and drives, and the security of digital homes and mobile communications. Class commercial air-conditioning products, closely integrated with industrial compound networking and machine-connected networking applications. Re-enhance the density and depth of technical detectives, continue to strengthen the horizontal technical integration of related companies, and actively seek foreign technical cooperation to accumulate research and development capabilities in order to provide products that will be long-term demanded by the future society

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

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

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

None

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

None

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

None

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

The appointed representative of TECO's corporate director Yinger International Investment Co., Ltd.: Po-Chi, Huang transferred 4,270,085 shares at the price of shares under Yinger International Investment (Share) Co., Ltd on 2019/01/23. This item is not an actual equity transfer transaction. The remaining directors (supervisors have been replaced by audit committee members) and 10% of the major shareholders have not been transferred or replaced in a large amount in recent years. Therefore, there is no significant impact and risk on the company.

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

None

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

Unit: NT\$ thousand

Number	The cause of the case	the counterparty	the progress of the case	Amount
1	Request for payment of project payment / extension of construction period cost	TAIWAN ENVIROTECH DEVELOPMENT CORPORATION	2020.7.10 The appraisal report concluded that the counterparty should pay TECO NT\$117,149 thousand, including NT\$35,522 thousand payable for unpaid works," NT\$64,809 thousand for "additional works", and NT\$16,819 thousand "compensation for construction period extension". The court is proceeding and there is no significant adverse impact on the situation of TECO at present	\$171,129
2	Request for change and additional engineering payment	LiJin Engineering.	The court appointed the Taiwan Construction Research Institute for appraisal. Currently, the appraisal shows that there is no significant adverse impact on the situation of TECO	\$166,965
3	Request payment for the new construction of Nangang Exhibition Hall	Construction and Planning Agency, Ministry of the Interior	The counterparty of the first-instance judged that the counterparty should pay the plaintiff (Leader Construction, TECO, TMA Architects	\$188,068

Number	The cause of the case	the counterparty	the progress of the case	Amount
			and Associate) a total of NT\$407,657 thousand and interest from 2008.3.7 to the date of settlement. The counterparty filed an appeal on 2020.5.22. The court is proceeding and there is currently no Significantly adversely affect the situation of TECO (the requested amount of TECO is NT\$188,068 thousand)	
4	Sued to request the National Taiwan University Cancer Medical Project for the final payment and change the additional payment	SOHWA FIRE PROTECTION ENGINEERING CO., LTD	During the court hearing, there is no significant adverse impact on the situation of TECO °	\$127,730

7.6.13 Other Major Risks

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

8.1.2 Information Regarding Affiliated Companies

Unit: NT\$thousand

Company	Date of Incorporation	Paid-in Capital	Major Business
Tong Dai Co., Ltd.	1972.06	79,194	Sales of Motors
TECO International Investment Co., Ltd.	1989.06	698,945	Investment Activity
TECO Holding USA Inc.	1995.03	760,615	Investment and Trading in USA
TECO Electric & Machinery (Pte) Ltd. Singapore	1972.09	172,480	Sales of Motors in Singapore and Other Countries Nearby
TECO Electric Europe Limited	1992.03	3	Sales of Motors in Europe
Tong-An Assets Management & Development Co., Ltd.	1997.07	3,954,153	Real Estate Business
Tong-An Investment Co., Ltd.	1998.08	5,109,153	Investment Activity
TECO Electro Devices Co., Ltd.	1998.03	172,148	Manufacture of Stepping Motors
Tecnos International Consultant Co., Ltd.	1998.06	110,618	Business Consulting and Human Resource Services
United View Global Investment Co., Ltd. (UVG)	1999.08	6,704,575	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	76,449	Manufacture of IC Projects
Yatec Engineering Corporation	1993.01	120,100	Electric System Development and Service
Taian (Subic) Electric Co., Inc.	1997.03	190,551	Manufacture and Sales of Tools and Equipment
Taian (Malaysia) Electric Sdn. Bhd.	1989.03	175,178	Manufacture and Sales of Tools and Equipment
An-Tai International Investment Co., Ltd.	1990.09	332,536	Investment Activity
Micropac (BVI) Worldwide Investment Co., Ltd.	1993.03	423,896	International Trading
Taian-Etacom Technology Co., Ltd.	1999.12	83,000	Manufacture of Bus Way Components
E-Joy International Co., Ltd.	2004.06.25	72,078	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	22,897	Investment Activity
Asia Air Tech Industrial (Pte) Ltd.	1999.06	242,080	Investment Activity
TECO (Dong Guang) Air Conditioning Equipment Co., Ltd.	1999.11.09	307,952	Manufacture of Air Conditioning Equipment
TECO Australia Pty. Ltd.	1993.04	658,500	Sales of Motors and Home Appliance in Australia
TECO New Zealand Ltd.	1983.04	60,861	Sales of Home Appliances
Great Teco Motor Ltd.	2000.01.27	3,475,307	Investment Activity
Wuxi TECO Electric & Machinery Co., Ltd.	2002	1,466,733	Manufacture and Sales of Motors
TECO Industrial (Malaysia) Sdn. Bhd.	1989.06	617,279	Manufacture and Sales of Motors in Malaysia
P.T TECO Elektro, Indonesia	1997.08.14	724,816	Sales of Home Appliances
P.T TECO Multiguna Electro	1983.06	15,008	Investment and Trading Activities
TECO Electronic & Machinery (Thai) Co., Ltd.	1987.04	56,364	Investment and Trading Activities
TECO Westinghouse Motor Company	1988.01	587,400	Sales of Motors in USA
TECO Westinghouse Motor Industrial, Canada	1995.12	24,6741	Sales of Motors
TECO Electro Devices Co., Ltd.	1998.03	97,117	International Trading
Wuxi Teco Electro Devices Co., Ltd.	2001.12	120,512	Manufacture and Sales of Stepping Motors
An-Tai International Investment (Singapore) Co., Ltd.	1993.03	478,071	Investment Activity

Company	Date of Incorporation	Paid-in Capital	Major Business
Tai-An Technology (Wuxi) Co., Ltd.	2000.07	519,135	Manufacture and Sales of Optical Fiber
Asia Electric & Machinery Pte Ltd.	2000.06.05	1,583,061	Investments in Home Appliances Business
Jack Property Service & Management Company	2000.04.13	30,250	Asset Management
Nanchang TECO Electric & Machinery Co., Ltd.	2003.11.10	499,420	Manufacture and Sales of Air Conditioning
Sankyo Co, Ltd.	1992.02.14	8,289	Sales of Home Appliances
TECO Electronic & Machinery B.V.	2005.04.18	23,113	Sales of Motors and LCD TV in Europe
STE Marketing Sdn. Bhd.	1987.12	61,682	Investment and Trading
Jiangxi TECO Electric & Machinery Co., Ltd.	2005.06.01	1,466,273	Manufacture and Sales of Motors
Qingdao TECO Precision Mechatronics Co., Ltd	2006.12	819,650	Manufacture and Sales of Compressors
TECO Westinghouse Motor Company S.A. de C.V	2005.12	50,963	Manufacture and Sales of Motors
TYM Electric & Machinery Sdn. Bhd.	2006.06	3,497	Sales of Motors
TECO (Vietnam) Electric & Machinery Company	2005.04	344,119	Manufacture and Sales of Motors
TECO Technology (Vietnam) Co., Ltd.	2006.08	376,905	Manufacture and Sales of Tools and Equipment
Asia Innovative Technology (Xiamen) Co., Ltd.	2006.12	816,411	R&D and Manufacture of LCD TV
TECO Group Science-Technology (Hang Zhou) Co., Ltd.	2007.06	9,945	R&D of Electronic Devices and System Automation
Jiangxi TECO Air Conditioning Equipment Co., Ltd.	2010.02.05	162,242	Sales of Air Conditioners
Fujian TECO Precision Co., Ltd.	2008.05	368,127	Sales and Production of Motors and Generators
Teco Appliance (HK) Co., Ltd.	1991.02.12	5,436	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	22,554	Sales of Electronic Products
Universal Mail Service Ltd.	1989.12	13,000	Business Document Processing
Unison Service Corporation	2001.08	17,000	Software, Data Processing and Information Provision
Information Technology Total Service (BVI) Co., Ltd.	2001.03	43,888	Investment Activities
Information Technology (Wuxi) Co., Ltd.	2004.08	10,868	Software, Data Processing and Information Provision
Information Technology Total Service (Xiamen) Ltd.	2007.12	4,377	Software, Data Processing and Information Provision
GreyBack International Property Inc.	2007.02.28	28,483	Real Estate Business
Taian-Jaya Electric Sdn. Bhd.	1988.06.07	6,993	Manufacture and Sales of Motors
TECO CAPITAL INC.	2008.04.15	18,744	Investment Activities
TECO (PHILIPPINES) 3C & APPLIANCES, INC.	2008.08.22	27,864	Sales of Home Appliance and Air Conditioners
Pelecanus Express Pte, Ltd	2010.04.19	25,632	Investment Activities
Qingdao TECO Innovation Co., Ltd.	2010.08.11	57,274	Merchant and Management Service for Science Park's Development and Operation
TECO Technology & Marketing Center Co., Ltd.	2011.04.01	8,289	Investment Activities
TECO Capital Investment (SAMOA) Co., Ltd.	2011.01.18	56,960	Holding Company
Beijing Pelican Express Co., Ltd.	2010.10.13	23,855	Storage Services
Technical Information International Co., Ltd.	2008.07.28	43,770	Development & Sales of Software
Shanghai TECO Electric & Machinery Co., Ltd.	2012.08.04	59,661	Agency of Machinery and Electric Products
TECO Electric and Machinery GmbH.	2012.09.01	876	Production & Sales of Machinery

Company	Date of Incorporation	Paid-in Capital	Major Business
Tecom Co., Ltd.	1980.09.25	945,998	Production and Sales of Business Communication Products
Baycom Opto-Electronics Technology Co., Ltd.	1980.04.16	335,913	Research, Production & Sales of Fiber and Fiber Cables
Tecom Global Tech Investment (B.V.I)	2002.08.13	33,156	Investment Activities
Tecom Global Tech Investment Pte Limited	2004.07.19	487,166	Investment Activities
Wuhan Tecom Co., Ltd.	2003.02.24	7,246	Internet Telecommunication Technology Development and Related Services
Tecom Tech (Wuxi) Co., Ltd.	2004.09.06	495,218	R&D and Production of Telecommunication System
Qingdao Jie Zheng Property Service & Management Company	2012.08.20	5,707	Property Management and Related Services
Donghua Enterprise Co.,Ltd.	1968.07.30	18,000	Franchise of FA/GE Product
TECO Elektrik Turkey A.S	2013.08.01	23,440	Franchise of Home Appliance and FA/GE Product
Jiangxi TECO Westinghouse Motor Coil Co., Ltd	2014.07.24	107,989	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	630,710	Manufacture and Sales of motor and gear reducer
Motovario S.A(Spain)	2001.2.14	33,651	Manufacture and Sales of motor and gear reducer
Motovario Ltd	1999.3.26	14,173	Manufacture and Sales of motor and gear reducer
Motovario GMBH	1997.2.28	11,280	Manufacture and Sales of motor and gear reducer
Motovario Corp.	1997.10.06	8,829	Manufacture and Sales of motor and gear reducer
Motovario S.A(France)	1995.2.09	11,322	Manufacture and Sales of motor and gear reducer
Motovario Gear Solution Private Ltd	2011.7.15	7,245	Manufacture and Sales of motor and gear reducer
Eagle Holding Co.	2010.8	4,803	Holding Company
TECO MOTOR B.V.	2015.7	3,165,580	Holding Company
Wuxi TECO Precision Mechatronics Co., Ltd	2015.7	3,502,350	Manufacture and Sales of electric machinery and component
Century Development Corporation	1993.2.9	861,446	Management of property and industrial park development
Century Tech. C&M Corporation	1975.10.4	3,509,055	Construction industry
United Development Corporation	1994.3.8	100,000	Consultant service for industrial park and land investment
Teco Industrial System Private Limited	2012.6	97,226	Sales and marketing for motors in India
Teco Electrical Industries Private Limited	2016.6	5,722	Dealer for motors
Yatec Engineering (VN) Company Limited	2016.12	24,973	Design and maintenance of electrical systems
Century Real Estate (International) Pte. Ltd.	2017.8	17,121	Investment in other regions
CDC Development India Private	2017.10	865,792	Consulting service for industrial zone and land investment
Century Biotech Development Corporation	2018.3.23	776,084	Consulting service for industrial zone and land investment
Teco Sun Energy	2018.6.15	2,500,000	Production of equipment for power generation, transmission and distribution
Am Smart Technology	2018.3.31	70,000	Dealer of heavy electric products
Temico International Pte. Ltd.	2018.6.21	20,000	Holding company
TECO EV Philippines Corporation	2015.4.8	15,900	Sales of vehicle
Euro Asia Mado	2018.12.3	31,514	Chain food industry
Jing Lao Man Restaurant	2012.7.24	40,000	Chain food industry
Ejoy Australia Pty. Ltd.	2019.7	120,000	Dealer of home appliance products
Motovario Australia Pty. Ltd.	2018.2	54,875	Various Investment

Company	Date of Incorporation	Paid-in Capital	Major Business
Teco Electric Motors Africa Pty. Ltd	2017.11	0	Agent of motor and home appliance
EJoy Australia Holding PTY LTD.	2017.2	0	Various Investment
F C R Motion Technology Pty. Ltd.	2018.2	57,443	Sales of motor and home appliance
Temico Motor India Private Limited	2020.2.21	0	Manufacture and Sales of motor
PELICAN EXPRESS (VIETNAM) COMPANY LIMITED	2020.5.19	5,561	Storage Services
Temico India Private Limited	2018.9.20	0	Manufacture and Sales of motor
Gaole Food	2011.6.10	35,000	Chain food industry
Dolce Park	2003.9.17	69,412	Chain food industry

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	948,889	530,071	418,818	1,776,081	51,005	53,009	6.69
Tecnos International Consultant Co., Ltd.	110,618	401,222	250,093	151,129	1,994,526	29,624	22,799	2.06
TECO Electric Europe Limited	3	5,969	45	5,924	0	0	2,411	N/A
TECO International Investment Co., Ltd.	698,945	1,498,492	146,068	1,352,424	56,334	48,956	50,184	0.72
TECO Electro Devices Co., Ltd.	172,148	409,242	83,490	325,752	269,317	7,981	35,666	2.07
TECO Electric & Machinery (Pte) Ltd. Singapore	172,480	3,314,143	158,791	3,155,352	978,274	4,341	51,875	6.48
Information Technology Total Services Co., Ltd.	273,234	906,518	375,498	531,020	1,184,758	44,070	65,780	2.41
UVG Investment Co., Ltd.	6,704,575	8,432,194	513,134	7,919,060	0	345,348	366,286	1.56
Tong-An Investment Co., Ltd.	5,109,046	15,740,298	92,846	15,647,452	687,622	635,832	647,076	1.27
TECO Holding USA Inc.	760,615	11,580,993	1,153,354	10,427,639	6,800,585	405,531	452,241	16.93
TECO Westinghouse Motor Company	587,400	9,095,772	1,089,873	8,005,899	5,813,522	349,640	325,606	15.79
An-Tai International Investment Co., Ltd.	332,536	617,985	1,721	616,264	17,787	16,262	17,701	0.53
Taian (Subic) Electric Co., Inc	190,551	305,000	73,605	231,395	308,816	15,845	14,305	2.14
Taian (Malaysia) Electric Sdn. Bhd.	175,178	12,036	518	11,518	0	0	140	0.01
Taian-Etacom Technology Co., Ltd.	83,000	534,206	374,964	159,242	509,322	29,381	21,473	2.59
Tasia (PTE) Ltd.	22,897	975	108	867	0	-158	-158	-0.15
Teco Electronic & Machinery (THAI) Co., Ltd.	56,364	230,467	39,576	190,891	180,612	-7,544	-4,781	-7.97
TECO Australia Pty. Ltd.	658,500	2,067,997	679,264	1,388,733	1,833,184	70,058	42,584	1.42
TECO Industrial Malaysia Sdn. Bhd.	617,279	823,489	22,079	801,410	141,340	-24,050	-10,150	-0.11
P.T TECO Elektro, Indonesia	724,816	420,991	4,813	416,178	24,299	11,426	11,338	0.45
Asia Air Tech Industrial (PTE) Ltd.	242,080	133,158	7,282	125,876	0	-5,272	-5,471	-0.64
TECO Westinghouse Motor Industrial, Canada	24,674	2,605,362	209,464	2,395,898	1,254,422	66,021	73,971	67.00
Jiangxi TECO Westinghouse Motor Coil Co., Ltd	107,989	140,141	23,561	116,580	114,259	3,994	5,373	N/A

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS (NT\$)
Teco Westinghouse Colombia S.A.S.	0	0	0	0	0	0	0	N/A
An-Tai International Investment (Singapore) Co., Ltd.	478,071	434,801	453	434,348	0	-45,472	-45,472	-2.05
TECO (Dong Guang) Air Conditioning Equipment Co., Ltd.	307,952	139,339	7,192	132,147	19,623	-2,155	-5,272	N/A
Micropac (BVI) Worldwide	423,896	1,352,862	817	1,352,045	0	-5,290	-23,912	-1.61
Taian Technology (Wuxi) Co., Ltd	519,135	1,792,584	598,643	1,193,941	1,662,190	-21,053	283	N/A
Great Teco Motor Ltd.	3,475,307	4,713,867	872	4,712,995	0	299,530	305,467	2.50
Jack Property Service & Management Company	30,250	246,297	101,838	144,459	393,574	40,733	34,701	11.47
Universal Mail Service Ltd.	13,000	34,232	23,359	10,873	42,016	1,835	1,218	0.94
Information Technology Total Service (BVI) Co., Ltd.	43,888	51,882	53	51,829	0	-107	1,459	0.95
Tong-An Assets Management & Development Co., Ltd.	3,954,153	6,272,415	984,952	5,287,463	227,723	72,805	57,956	0.15
P.T. TECO Multiguna Electro	15,008	410,098	57,899	352,199	408,150	35,826	33,276	0.00
Yatec Engineering Corporation	120,100	350,641	132,487	218,154	534,371	19,946	16,655	1.39
TECO New Zealand Limited	60,861	75,102	95,856	-20,754	60,838	4,236	4,274	1.42
Asia Electric & Machinery	1,583,061	360,891	31,789	329,102	0	-23,614	-23,717	-0.43
Wuxi TECO Electric & Machinery Co., Ltd	1,466,733	3,904,844	1,974,558	1,930,286	3,797,392	208,566	173,570	N/A
GD TECO Taiwan Co., Ltd.	76,449	273,892	161,793	112,099	412,736	32,419	32,605	4.26
Tesen Electric & Machinery Co., Ltd.	200,000	327,664	105,876	221,788	2,285,515	18,801	14,380	0.65
Teco Electronic Devices Co.,Ltd.	97,117	159,858	0	159,858	0	0	35,932	10.54
Wuxi Teco Electro Devices Co.,Ltd.	120,512	341,787	181,935	159,852	437,400	34,207	35,918	N/A
Unison Service Corporation	17,000	31,285	21,244	10,041	100,404	12,671	12,038	7.08
Taian Electric Co., Ltd.	1,000	798	0	798	0	-12	-12	-0.12
E-Joy International Co., Ltd.	72,078	146,689	65,911	80,778	303,129	4,391	8,700	1.21
A-Ok Technical Co., Ltd.	22,500	151,868	91,551	60,317	384,457	27,305	21,386	9.50
Nanchang TECO Electric & Machinery Co., Ltd.	499,420	13,341	41,017	-27,676	4,654	-4,047	-20,975	N/A
Sankyo Co., Ltd.	8,289	150,031	250,492	-100,461	338,959	24,200	19,065	0.64
TECO Electric & Machinery B.V.	23,113	120,482	566,240	-445,758	153,586	23,210	22,139	33.54
TECO Electric & Machinery Sdn.Bhd.	61,682	426,412	87,255	339,157	359,592	15,147	17,152	1.94
Jiangxi TECO Electric & Machinery Co., Ltd.	1,466,273	1,795,275	251,363	1,543,912	669,096	57,787	67,900	N/A
Qingdao TECO Precision Mechatronics Co., Ltd	819,650	869,731	441,245	428,486	769,624	4,319	9,182	N/A
Teco Westinghouse Motor Company S. A. de C. V.	50,963	191,888	176,963	14,925	251,023	9,620	-885	N/A
TYM Electric & Machinery Sdn. Bhd.	3,497	129,692	29,160	100,532	153,477	13,613	12,864	25.65
Teco (Vietnam) Electronic & Machinery Company Ltd.	344,119	577,106	238,591	338,515	523,330	-35,922	-34,165	0.00
TECO Technology (Vietnam) Co., Ltd.	376,905	898,566	619,116	279,450	264,997	32,748	-26,169	N/A
Asia Innovative Technology (Xiamen) Co., Ltd.	816,411	317,394	43,464	273,930	35,944	-5,112	-3,033	N/A

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS (NT\$)
Fujian TECO Precision Co., Ltd.	368,127	131,692	61,912	69,780	0	-12,614	-13,271	N/A
Teco Appliance (HK) Co., Ltd.	5,436	2,695	0	2,695	0	-1	24	0.16
An-Sheng Travel Co., Ltd.	30,000	13,019	441	12,578	10,240	-1,665	-953	-0.32
Hubbell-Taian Co., Ltd.	27,200	63,313	1,914	61,399	28,082	-7,031	-12,210	-4.49
Hubbel-Anmex International(s) Pte. Letd.	22,554	31,309	228	31,081	39	-263	15,320	19.35
Information Technology (Wuxi) Co., Ltd.	10,868	58,157	30,695	27,462	59,394	7,351	10,564	N/A
Information Technology Total Service (Xiamen) Ltd.	4,377	1,309	1,464	-155	2,280	-828	-834	N/A
GreyBack International Property Inc.	28,483	33,115	826	32,289	0	-59	-59	-0.06
Teco Group Science-Technology (Hang Zhou) Co., Ltd.	9,945	37,940	1,874	36,066	24,269	4,629	4,492	N/A
Taian-Jaya Electric Sdn. Bhd.	6,993	99,992	50,472	49,520	103,206	5,016	5,802	5.80
TECO CAPITAL INC.	18,744	8,137	0	8,137	0	0	-1,546	-2.35
TECO (PHILIPPINES) 3C & APPLIANCES, INC.	27,864	52,779	57,712	-4,933	40,754	2,560	2,358	24.10
Taiwan Pelican Express Co., Ltd.	954,670	3,840,154	1,855,882	1,984,272	3,983,309	245,284	209,015	2.19
Jiangxi TECO Air Conditioning Equipment Co., Ltd.	162,242	229,824	106,206	123,618	253,601	-2,619	-3,026	N/A
Pelecanus Express Pte. Ltd.	25,632	2,563	142	2,421	0	-118	59	0.07
Qingdao TECO Innovation Co., Ltd.	57,274	72,185	32,535	39,650	0	-5,401	1,968	N/A
TECO Technology & Marketing Center Co., Ltd.	8,289	14,956	55,966	-41,010	0	-9,484	440	N/A
TECOCAPITAL INVESTMENT (SAMOA) Co., Ltd.	56,960	40,492	0	40,492	0	0	2,131	1.07
Beijing Pelican Express Co., Ltd.	23,855	2,460	40	2,420	0	-317	175	N/A
Technical Information International Co., Ltd.	43,770	12,887	2,417	10,470	12,974	-3,103	-2,739	N/A
Shanghai TECO Electric & Machinery Co., Ltd.	59,661	1,603,493	1,408,996	194,497	4,378,348	108,488	88,008	N/A
TECO Electric and Machinery GmbH.	876	6,570	650	5,920	18,465	88	53	2.13
Tecom Co., Ltd.	945,998	1,759,913	1,525,940	233,973	831,740	-55,840	-39,698	-0.90
Baycom Opto-Electronics Technology Co., Ltd.	335,913	508,507	64,990	443,517	216,928	4,070	8,885	0.26
Tecom Global Tech Investment (B.V.I.)	33,156	-2,022	0	-2,022	0	0	-5,743	-0.17
Tecom Global Tech Investment Pte Limited	487,166	2,976	0	2,976	279	0	-31	0.00
Wuhan Tecom Co., Ltd.	7,246	26,056	28,155	-2,099	66,350	-7,077	-5,675	N/A
Tecom Tech Investment (BVI) Limited.	495,218	3,206	254	2,952	0	0	-79	N/A
Qingdao Jie Zheng Property Service & Management Company	5,707	2,963	648	2,315	0	-244	-244	N/A
Donghua Enterprise Co.,Ltd.	18,000	163,068	87,855	75,213	377,771	45,233	35,818	19.90
Teco Elektrik Turkey A.S	23,440	11,035	105	10,930	3,100	-1,183	1,342	0.22
Motovario S.p.A.	630,710	7,095,801	3,763,562	3,332,239	3,028,079	-114,545	-145,966	-8.10
Motovario SAU(Spain)	33,651	237,927	220,797	17,130	433,047	-6,430	-10,404	N/A
Motovario Ltd	14,173	187,646	181,167	6,479	215,065	-1,257	-6,508	N/A

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS (NT\$)
Motovario GMBH	11,280	50,906	112,075	-61,169	155,171	-14,506	-15,282	N/A
Motovario Corp.	8,829	506,540	54,990	451,550	498,124	78,471	58,798	N/A
Motovario S.A(France)	11,322	136,086	122,943	13,143	247,477	2,568	2,139	N/A
Motovario Int. Trading Co. Ltd	7,245	47,525	25,030	22,495	78,906	11,946	9,433	N/A
Motovario Gear Solution Private Ltd	4,803	82,088	215,544	-133,456	86,509	-4,374	-29,732	N/A
Eagle Holding Co.	3,165,580	4,495,796	0	4,495,796	0	0	95,160	N/A
TECO MOTOR B.V.	3,502,350	4,495,903	0	4,495,903	0	0	96,780	N/A
Wuxi TECO Precision Mechatronics Co., Ltd	861,446	965,866	162,353	803,513	605,896	7,016	9,810	N/A
Century Development Corporation	3,509,055	6,724,707	2,615,395	4,109,312	777,865	405,170	73,864	0.21
Century Tech. C&M Corporation	100,000	149,967	219,692	-69,725	101,987	-251,038	-251,851	-25.19
United Development Corporation	97,226	167,471	30,050	137,421	1,320	147	12,315	1.27
Teco Industrial System Private Limited	5,722	5,253	5,625	-372	7,460	-1,917	-1,856	-1.25
Teco Electrical Industries Private Limited	24,973	33,709	25,255	8,454	64,935	-1,919	-1,289	-0.20
Yatec Engineering (VN) Company Limited	17,121	38,429	23,488	14,941	34,407	-4,313	-4,313	0.00
Century Real Estate (International) Pte. Ltd.	865,792	731,623	86	731,537	0	-148	-21,642	-0.71
CDC Development India Private	776,084	731,652	24,017	707,635	2,406	-20,292	-21,667	-0.01
Century Biotech Development Corporation	2,500,000	3,321,190	870,080	2,451,110	0	-8,108	-5,923	0.00
Teco Sun Energy	70,000	221,912	145,005	76,907	22,079	11,821	7,643	0.11
Am Smart Technology	20,000	20,242	9,652	10,590	20,271	1,322	-2,496	-0.12
Temico International Pte.Ltd.	15,900	74,594	61,129	13,465	0	-835	-835	-1.50
TECO EV Philippines Corporation	31,514	12,931	18,278	-5,347	464	-3,864	-1,833	-0.03
Euro Asia MADO	40,000	25,005	2,577	22,428	5,429	-8,782	-8,634	-0.22
Jing Lao Man Restaurant	120,000	23,221	33,478	-10,257	82,405	-15,294	-16,769	-1.40
Ejoy Australia Pty. Ltd.	54,875	24,299	4,632	19,667	31,303	-9,950	-8,332	-33.33
Motovario Australia Pty. Ltd.	0	0	0	0	0	0	0	N/A
Teco Electric Motors Africa Pty. Ltd.	0	992	0	992	0	-43	-40	N/A
EJOY AUSTRALIA HOLDINGS PTY LTD.	0	0	0	0	0	0	0	N/A
F C R Motion Technology Pty. Ltd.	57,443	156,482	62,821	93,661	217,873	22,029	14,474	5.53
Temico Motor India Private Limited	0	23	1,180	-1,157	0	-1,196	-1,196	N/A
PELICAN EXPRESS (VIETNAM) COMPANY LIMITED	5,561	5,565	89	5,476	0	-91	-91	N/A
Temico India Private Limited	0	0	0	0	0	0	0	N/A
Gaole Food	35,000	1,869	7,004	-5,135	10,845	-8,193	-9,813	-2.80
Dolce Park	69,412	20,896	27,579	-6,683	30,783	-3,871	-2,535	-0.37

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.	5,109,046	Working Capital	99.60%	Successive Acquisition	19,540,052Shares \$232,969	-	-	19,540,052Shares \$632,121	None	-	-
An Tai International Investment Co., Ltd.	332,536	Working Capital	100.00%	Successive Acquisition	2,825,748Shares \$26,308	-	-	2,825,748Shares \$91,413	None	-	-
Donghua Enterprise Co.,Ltd.	18,000	Working Capital	0.00%	Successive Acquisition	77,222 shares \$724	-	-	77,222 shares \$2,498	None	-	-
Taiwan Pelican Co., Ltd.	954,670	Working Capital	32.15%	Successive Acquisition	7,070,000 shares \$190,147	-	-	7,070,000 shares \$228,715	None	-	-

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2020 AND 2019

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of TECO Electric & Machinery Co., Ltd. as at December 31, 2020 and 2019, 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 reports of other auditors (please refer to the Other matter section), 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, 2020 and 2019, 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, 2020 in accordance with ‘Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants’, and generally accepted auditing standards in the Republic of China, and our audit of the financial statements for the year ended December 31, 2019 in accordance with ‘Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants’, ‘Jin-Guan-Zheng-Shen-Zi Order No. 1090360805 as approved by the Financial Supervisory Commission’, and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements. 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 2020 financial statements are stated as follows:

Revenue recognition of export sales of heavy industrial products group

Description

Refer to Note 4(30) of the parent company only financial statements for the accounting policies on revenue recognition. The 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 – Reference to the audits of other auditors

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 auditors, 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 the other auditors. The investments accounted for under the equity method amounted to NT\$3,602,033 thousand and NT\$3,698,335 thousand, constituting 4% and 5% of the related total assets as of December 31, 2020 and 2019, respectively, and the comprehensive income amounting to NT\$22,376 thousand and NT\$82,978 thousand, constituting 0.3% and 1% 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.

Auditors’ responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected

to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

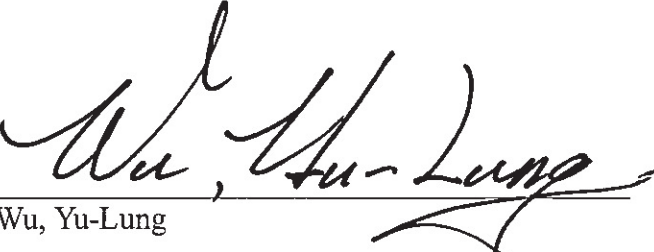
1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The 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 23, 2021

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 independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

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

Assets			December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 716,313	1	\$ 704,888	1
1140	Current contract assets		1,197,505	2	1,057,201	1
1150	Notes receivable, net	6(4)	130,742	-	298,848	
1160	Notes receivable - related parties	7	260,782	-	349,293	1
1170	Accounts receivable, net	6(4)	2,086,078	3	1,372,244	2
1180	Accounts receivable - related parties	6(6) and 7	1,346,963	2	1,275,303	2
1200	Other receivables		90,380	-	92,237	-
1210	Other receivables - related parties	6(6) and 7	706,840	1	1,111,867	2
130X	Inventories, net	6(5)	2,752,379	3	2,512,802	3
1410	Prepayments		77,209	-	329,211	-
1470	Other current assets	6(1) and 8	1,103,197	1	183,611	-
11XX	Total current assets		10,468,388	13	9,287,505	12
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	2,167,106	3	1,966,144	2
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	6,258,752	8	7,459,586	10
1550	Investments accounted for under equity method	6(6) and 7	56,247,996	69	50,342,442	67
1600	Property, plant and equipment	6(7) and 7	3,093,090	4	3,520,118	5
1755	Right-of-use assets	6(8) and 7	117,727	-	11,418	-
1760	Investment property - net	6(9)	2,129,289	2	2,039,208	3
1840	Deferred income tax assets	6(26)	820,010	1	788,769	1
1900	Other non-current assets	6(10) and 8	293,957	-	130,009	-
15XX	Total non-current assets		71,127,927	87	66,257,694	88
1XXX	Total assets		\$ 81,596,315	100	\$ 75,545,199	100

(Continued)

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

Liabilities and Equity			Notes		December 31, 2020		December 31, 2019	
					AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(11)	\$	1,207,660	2	\$	55,200	-
2130	Current contract liabilities	6(20)		1,051,725	1		431,356	1
2150	Notes payable			5,223	-		12,085	-
2160	Notes payable - related parties	7		115,207	-		132,557	-
2170	Accounts payable			3,518,109	5		2,617,198	4
2180	Accounts payable - related parties	7		929,088	1		998,125	1
2200	Other payables			2,601,865	3		2,597,722	4
2220	Other payables - related parties	7		160,599	-		639,163	1
2230	Current income tax liabilities	6(26)		253,854	-		321,647	-
2250	Provisions for liabilities - current			98,588	-		103,006	-
2280	Current lease liabilities	6(8) and 7		87,355	-		6,645	-
2300	Other current liabilities	6(13)		109,858	-		3,087,868	4
21XX	Total current liabilities			10,139,131	12		11,002,572	15
Non-current liabilities								
2530	Corporate bonds payable	6(13)		6,000,000	7		1,000,000	1
2540	Long-term borrowings	6(14)		1,180,000	2		4,299,967	6
2570	Deferred income tax liabilities	6(26)		1,022,068	1		958,820	1
2580	Non-current lease liabilities	6(8) and 7		5,340	-		3,859	-
2600	Other non-current liabilities	6(15)		1,421,481	2		1,573,477	2
25XX	Total non-current liabilities			9,628,889	12		7,836,123	10
2XXX	Total liabilities			19,768,020	24		18,838,695	25
Equity								
	Share capital	6(16)						
3110	Common stock			19,676,929	24		19,676,929	26
	Capital surplus	6(17)						
3200	Capital surplus			7,386,901	9		7,389,577	9
	Retained earnings	6(18)						
3310	Legal reserve			7,024,635	9		6,702,463	9
3320	Special reserve			3,640,779	5		3,640,779	5
3350	Unappropriated retained earnings			17,271,503	21		16,047,563	21
	Other equity interest	6(19)						
3400	Other equity interest			7,339,258	9		3,570,756	5
3500	Treasury stocks	6(6)(16)	(	511,710)	(1)	(	321,563)	-
3XXX	Total equity			61,828,295	76		56,706,504	75
	Significant Contingent Liabilities and	9						
	Unrecognized Contract Commitments							
	Significant Events after the Balance	11						
	Sheet Date							
3X2X	Total liabilities and equity		\$	81,596,315	100	\$	75,545,199	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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Year ended December 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(20) and 7	\$ 19,819,029	100	\$ 18,873,312	100
5000	Operating costs	6(5)(15)(25) and 7	(15,808,505)	(80)	(14,940,657)	(79)
5900	Net operating margin		4,010,524	20	3,932,655	21
5910	Unrealized profit from sales	7	(450,133)	(2)	(500,745)	(3)
5920	Realized profit from sales		500,745	3	614,532	3
5950	Net operating margin		4,061,136	21	4,046,442	21
	Operating expenses	6(15)(25) and 7				
6100	Selling expenses		(1,890,669)	(9)	(1,826,287)	(9)
6200	General and administrative expenses		(530,160)	(3)	(531,689)	(3)
6300	Research and development expenses		(555,889)	(3)	(574,548)	(3)
6450	Expected credit impairment (losses) gains		(9,385)	-	1,052	-
6000	Total operating expenses		(2,986,103)	(15)	(2,931,472)	(15)
6900	Operating profit		1,075,033	6	1,114,970	6
	Non-operating income and expenses					
7100	Interest income	6(21) and 7	11,599	-	11,588	-
7010	Other income	6(3)(9)(22) and 7	929,030	5	646,690	3
7020	Other gains and losses	6(2)(12)(23) and 7	(124,450)	(1)	(382,300)	(2)
7050	Finance costs	6(8)(24) and 7	(95,875)	-	(102,308)	-
7070	Share of profit of subsidiary, associates and joint ventures accounted for under equity method	6(6)	1,862,858	9	2,213,679	12
7000	Total non-operating income and expenses		2,583,162	13	2,387,349	13
7900	Profit before income tax		3,658,195	19	3,502,319	19
7950	Income tax expense	6(26)	(146,837)	(1)	(280,602)	(2)
8200	Profit for the year		\$ 3,511,358	18	\$ 3,221,717	17
	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)	(\$ 6,235)	-	(\$ 80,887)	(1)
8316	Unrealised gains and losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)(19)	(1,200,833)	(6)	1,461,127	8
8330	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		5,299,291	27	1,848,678	10
8310	Components of other comprehensive income that will not be reclassified to profit or loss		4,092,223	21	3,228,918	17
	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)	(406,873)	(2)	(794,735)	(4)
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(19)(26)	65,922	-	19,734	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss		(340,951)	(2)	(775,001)	(4)
8300	Other comprehensive income for the year		\$ 3,751,272	19	\$ 2,453,917	13
8500	Total comprehensive income for the year		\$ 7,262,630	37	\$ 5,675,634	30
	Earnings per share (in dollars)	6(27)				
9750	Basic earnings per share		\$ 1.81		\$ 1.65	
9850	Diluted earnings per share		\$ 1.81		\$ 1.65	

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, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained earnings				Other equity interest			Treasury stocks	Total equity
		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		
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 and retrospective restatement		-	-	-	-	(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 (loss) for the year	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 2018 earnings	6(18)	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	315,009	-	(315,009)	-	-	-	-
Cash dividends		-	-	-	-	(1,770,924)	-	-	-	(1,770,924)
Reacquisition of treasury shares	6(16)	-	-	-	-	-	-	-	-	-
Retirement of treasury shares	6(16)(17)	(350,000)	(325,840)	-	-	-	-	-	(675,840)	(675,840)
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	-	-	-	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	6(3)(19)	-	68,202	-	-	-	-	-	-	68,202
Balance at December 31, 2019		\$ 19,676,929	\$ 7,389,577	\$ 6,702,463	\$ 3,640,779	\$ 16,047,563	(\$ 2,676,725)	\$ 6,247,481	(\$ 321,563)	\$ 56,706,504
2020										
Balance at January 1, 2020		\$ 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
Profit for the year		-	-	-	-	3,511,358	-	-	-	3,511,358
Other comprehensive income (loss) for the year	6(19)	-	-	-	-	(17,920)	(340,951)	4,110,143	-	3,751,272
Total comprehensive income (loss)		-	-	-	-	3,493,438	(340,951)	4,110,143	-	7,262,630
Appropriations of 2019 earnings	6(18)	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	322,172	-	(322,172)	-	-	-	-
Cash dividends		-	-	-	-	(1,948,016)	-	-	-	(1,948,016)
Acquisition of parent company's share by subsidiaries recognized as treasury shares		-	-	-	-	-	-	-	-	-
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	-	-	-	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	6(3)(19)	-	(2,676)	-	-	-	-	-	-	(2,676)
Balance at December 31, 2020		\$ 19,676,929	\$ 7,386,901	\$ 7,024,635	\$ 3,640,779	\$ 17,271,503	(\$ 3,017,676)	\$ 10,356,934	(\$ 511,710)	\$ 61,828,295

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, 2020 AND 2019
 (Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,658,195	\$ 3,502,319
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(2)(23)	(409,084)	(88,601)
Net (gain) loss on financial liabilities at fair value through profit or loss	6(12)(23)	(907)	227
Expected credit impairment loss (gain)	12(2)	9,385	(1,052)
Interest income	6(21)	(11,599)	(11,588)
Interest expense	6(24)	91,110	100,317
Dividend income	6(22)	(316,018)	(271,049)
Loss on disposal of investments	6(23)	-	(8,428)
Changes in unrealized gain from downstream sales		(50,612)	(113,787)
Share of profit of associates and joint ventures accounted for under the equity method	6(6)	(1,862,858)	(2,213,679)
Depreciation, amortization and net gain or loss on disposal of property, plant and equipment, net	6(7)(8)(9)(23)(25)	576,233	514,299
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets - current		(140,304)	17,219
Notes receivable		168,159	107,059
Notes receivable - related parties		88,511	(22,451)
Accounts receivable		(705,276)	161,735
Accounts receivable - related parties		(89,655)	85,986
Other receivables		1,857	(29,299)
Other receivables - related parties		348,177	175,841
Inventories		(239,577)	245,839
Prepayments		252,002	(160,826)
Other current assets		(919,586)	13,059
Financial assets at fair value through profit or loss - non-current		208,122	(41,753)
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss - current		907	-
Contract liabilities - current		620,369	74,899
Notes payable		(6,862)	5,224
Notes payable - related parties		(17,350)	(29,783)
Accounts payable		900,911	(754,226)
Accounts payable - related parties		(69,037)	121,420
Other payables		18,301	50,118
Other payables - related parties		21,236	11,034
Provisions for liabilities		(4,418)	11,327
Other current liabilities		21,990	29,017
Other non-current liabilities		(154,306)	(100,353)
Cash inflow generated from operations		1,988,016	1,380,064
Interest received	6(21)	11,599	11,588
Dividends received		751,465	605,396
Payment of interest		(99,956)	(94,475)
Payment of income tax		(116,701)	(48,840)
Net cash flows from operating activities		2,534,423	1,853,733

(Continued)

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

	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in other receivables - related parties	7	\$ 56,850	\$ 5,651
Decrease in restricted bank deposit	8	-	10,142
Increase in financial assets at fair value through other comprehensive income - non-current		-	(14,998)
Increase in investments accounted for under equity method		(47,879)	(94,723)
Proceeds from disposal of property, plant and equipment		288	347
Acquisition of property, plant and equipment	6(7)(28)	(139,954)	(217,778)
Increase in deferred expenses		(23,376)	(7,314)
Decrease in refundable deposits		55,827	7,017
Increase in bank deposit under the regulation governing the management, utilization, and taxation of repatriated offshore funds	6(10)	(169,411)	-
Dividends received		316,018	271,049
Proceeds from disposal of investments accounted for under the equity method		-	141,865
(Increase) decrease in other non-current assets		(81,451)	3,042
Net cash flows (used in) from investing activities		(33,088)	104,300
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans		1,152,460	6,090
Decrease in other payables - related parties financing	7	(499,800)	(7,350)
Proceeds from issuance of bonds	6(13)	5,000,000	-
Repayment of bonds	6(13)	(3,000,000)	-
(Decrease) increase in long-term loans		(3,119,967)	50,242
Cash dividends paid	6(18)	(1,948,016)	(1,770,924)
Lease liabilities paid		(74,587)	(88,159)
Treasury shares purchased	6(16)	-	(675,840)
Net cash flows used in financing activities		(2,489,910)	(2,485,941)
Net increase (decrease) in cash and cash equivalents		11,425	(527,908)
Cash and cash equivalents at beginning of year		704,888	1,232,796
Cash and cash equivalents at end of year		\$ 716,313	\$ 704,888

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, 2020 AND 2019

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

1. History and Organization

Teco Electric & Machinery Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company 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 23, 2021.

3. Application of New Standards, Amendments and Interpretations

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note : Earlier application from January 1, 2020 is allowed by FSC.

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

(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 2021 are as follows:

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

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 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022
The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.	

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

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

B. Translation of foreign operations

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

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

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

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

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

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

(9) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the

lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

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

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

(11) Operating leases (lessor) – operating leases

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

(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. 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

- 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) 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.

(17) 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.

(18) 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.

(19) 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.

(20) 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.

(21) 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.'

(22) Derecognition of financial liabilities

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

(23) 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.

(24) 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.

(25) 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.

(26) 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.

(27) 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.

(28) 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.

(29) 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.

(30) 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.

(31) 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.

(32) Business combinations

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

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Impairment assessment of goodwill

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

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and revolving funds	\$ 300	\$ 302
Checking accounts and demand deposits	716,013	539,098
Time deposits and notes issued under repurchase agreement	-	165,488
	<u>\$ 716,313</u>	<u>\$ 704,888</u>

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

B. As of December 31, 2020 and 2019, certain bank deposits amounting to \$1,080,301 and \$6,616, respectively, were restricted due to earmarked construction projects and the regulations governing the management, utilization, and taxation of repatriated offshore funds reserved in special account (listed as '1470 Other current assets' and '1900 Other non-current assets'). Please refer to Note 8 for details.

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

Items	December 31, 2020	December 31, 2019
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed and OTC stocks	\$ 879,118	\$ 881,396
Non-listed and OTC stocks	810,394	810,394
Money Market Fund	<u>216,223</u>	<u>234,324</u>
	1,905,735	1,926,114
Valuation adjustment	<u>261,371</u>	<u>40,030</u>
	<u>\$ 2,167,106</u>	<u>\$ 1,966,144</u>

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

	For the year ended December 31, 2020	For the year ended December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	<u>\$ 409,084</u>	<u>\$ 88,601</u>

B. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Notes 12(2) and (3).

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

Items	December 31, 2020	December 31, 2019
Non-current items:		
Listed and OTC stocks	\$ 5,229,631	\$ 5,229,631
Non-listed and OTC stocks	<u>47,148</u>	<u>47,148</u>
	5,276,779	5,276,779
Valuation adjustment	<u>981,973</u>	<u>2,182,807</u>
	<u>\$ 6,258,752</u>	<u>\$ 7,459,586</u>

- A. The Company has elected to classify Taiwan High Speed Rail's stocks that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$6,258,752 and \$7,459,586 as at December 31, 2020 and 2019, respectively.
- 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, 2020	For the year ended December 31, 2019
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	(\$ 1,200,833)	\$ 1,461,127
Cumulative gains reclassified to retained earnings due to derecognition	\$ -	\$ -
Dividend income recognised in profit or loss		
Held at end of year	\$ 232,177	\$ 216,079
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 Notes 12(2) and (3).

(4) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 131,219	\$ 299,378
Less: Allowance for bad debts	(477)	(530)
	<u>\$ 130,742</u>	<u>\$ 298,848</u>
Accounts receivable	\$ 2,113,288	\$ 1,398,390
Less: Allowance for bad debts	(27,210)	(26,146)
	<u>\$ 2,086,078</u>	<u>\$ 1,372,244</u>

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

	December 31, 2020	December 31, 2019
Not past due	\$ 1,782,525	\$ 994,416
Up to 30 days	87,365	307,462
31 to 90 days	88,949	115,430
91 to 180 days	22,177	30,306
Over 180 days	235,804	223,478
	<u>\$ 2,216,820</u>	<u>\$ 1,671,092</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers
- C. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

December 31, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 665,868	(\$ 57,195)	\$ 608,673
Work in progress	585,618	(4,068)	581,550
Finished goods	1,564,843	(142,139)	1,422,704
Inventory in transit	139,452	-	139,452
	<u>\$ 2,955,781</u>	<u>(\$ 203,402)</u>	<u>\$ 2,752,379</u>
December 31, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 652,455	(\$ 33,585)	\$ 618,870
Work in progress	445,837	(3,607)	442,230
Finished goods	1,482,325	(172,987)	1,309,338
Inventory in transit	142,364	-	142,364
	<u>\$ 2,722,981</u>	<u>(\$ 210,179)</u>	<u>\$ 2,512,802</u>

The cost of inventories recognized as expense for the years ended December 31, 2020 and 2019 was \$12,082,234 and \$12,474,175, respectively, including \$121,072 and \$83,776 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, 2020 and 2019, respectively.

(6) Investments accounted for under the equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries:		
1. Teco International Investment Co., Ltd.	\$ 1,352,017	\$ 1,135,110
2. Teco Holding USA Inc.	10,425,934	10,515,754
3. Teco Electric & Machinery (Pte) Ltd.	3,374,863	3,362,698
4. Tong-An Investment Co., Ltd.	15,044,580	9,679,419
5. United View Global Investment Co., Ltd.	7,914,568	7,617,629
6. Micropac Worldwide Investment (BVI)	1,344,056	1,419,907
7. Tong-An Assets Management & Development Co., Ltd.	5,287,463	5,240,578
8. Eagle Holding Co.	4,438,391	4,224,360
9. Century Development Corporation	1,290,626	1,301,294
10. Others	3,194,642	3,366,494
	<u>53,667,140</u>	<u>47,863,243</u>
Associates:		
1. Tung Pei Industrial Co., Ltd.	\$ 2,134,415	\$ 2,086,821
2. Lien Chang Electronic Enterprise Co., Ltd.	465,947	445,494
3. Others	430,627	447,629
	<u>3,030,989</u>	<u>2,979,944</u>
	56,698,129	50,843,187
Less: Unrealized profit from sales	(450,133)	(500,745)
	56,247,996	50,342,442
Less: Credit balance of investments accounted for using equity method such as Teco 3C (shown as deductions on other receivables - related parties)	(7,953)	(11,878)
	<u>\$ 56,240,043</u>	<u>\$ 50,330,564</u>

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

	For the year ended December 31, 2020	For the year ended December 31, 2019
Subsidiaries:		
1. Teco Holding USA Inc.	\$ 393,745	\$ 816,275
2. Teco Electric & Machinery (Pte) Ltd.	58,998	123,627
3. Tong-An Investment Co., Ltd.	579,946	363,774
4. United View Global Investment Co., Ltd.	368,495	328,009
5. Eagle Holding Co.	39,240	175,332
6. Others	275,739	286,287
	<u>1,716,163</u>	<u>2,093,304</u>
Associates:		
1. Tung Pei Industrial Co., Ltd.	122,438	90,544
2. Lien Chang Electronic Enterprise Co., Ltd.	15,831	3,003
3. Others	8,426	26,828
	<u>146,695</u>	<u>120,375</u>
	<u>\$ 1,862,858</u>	<u>\$ 2,213,679</u>

A. Subsidiaries:

- (a) For the years ended December 31, 2020 and 2019, partial investments accounted for using equity method are valued based on the financial statements audited by the companies' independent auditors. Gain on investment accounted for using equity method and other comprehensive income, net were \$22,376 and \$82,978 for the years ended December 31, 2020 and 2019, respectively. The related balance of investment accounted for using equity method was \$3,602,033 and \$3,698,335 as of December 31, 2020 and 2019, respectively.
- (b) As of December 31, 2020 and 2019, the Company's common stocks owned by its subsidiaries, Tong-An Investment Co., Ltd. and others, totalling \$511,710 (29,513 thousand shares) and \$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 2020 consolidated financial statements for related information about subsidiaries of the Company.

B. Associates

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

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2020	December 31, 2019		
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

- (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, 2020	December 31, 2019
Current assets	\$	5,145,021	\$ 4,672,289
Non-current assets		7,422,413	7,805,002
Current liabilities	(	3,202,946)	(3,128,742)
Non-current liabilities	(	1,815,524)	(1,927,696)
Total assets	\$	<u>7,548,964</u>	\$ <u>7,420,853</u>
Share in associate's net assets	\$	2,134,415	\$ 2,086,821
Goodwill		-	-
Carrying amount of the associate	\$	<u>2,134,415</u>	\$ <u>2,086,821</u>
		Lien Chang Electronic Enterprise Co., Ltd.	
		December 31, 2020	December 31, 2019
Current assets	\$	1,716,152	\$ 1,583,967
Non-current assets		581,325	625,743
Current liabilities	(	880,136)	(841,292)
Non-current liabilities	(	40,593)	(52,102)
Total assets	\$	<u>1,376,748</u>	\$ <u>1,316,316</u>
Share in associate's net assets	\$	465,947	\$ 445,494
Goodwill		-	-
Carrying amount of the associate	\$	<u>465,947</u>	\$ <u>445,494</u>

Statement of comprehensive income

		Tung Pei Industrial Co., Ltd.	
		For the year ended December 31, 2020	For the year ended December 31, 2019
Revenue	\$	6,701,386	\$ 7,169,410
Profit for the period from continuing operations	\$	395,620	\$ 283,834
Other comprehensive loss, net of tax	(	87,536)	(57,206)
Total comprehensive income	\$	<u>308,084</u>	\$ <u>226,628</u>
Dividends received from associates	\$	<u>54,803</u>	\$ <u>78,290</u>

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

- (c) The 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, 2020 and 2019, the carrying amount of the Company's individually immaterial associates amounted to \$430,627 and \$447,629, respectively.

	For the year ended December 31, 2020	For the year ended December 31, 2019
Profit for the period from continuing operations	\$ 8,426	\$ 26,828
Total comprehensive income	\$ 8,426	\$ 26,828

- (d) The Company is the single largest shareholder of Lien Chang Electronic Enterprise Co., Ltd. with a 33.84% equity interest. Given that the company is a listed company and its ownership is dispersed, and the Company's shareholding ratio in the company is lower than 50%, which indicates that the Company has no current ability to direct the relevant activities of Lien Chang Electronic Enterprise Co., Ltd., the Company has no control, but only has significant influence, over the investee.

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

	December 31, 2020	December 31, 2019
1. Lien Chang Electronic Enterprise Co., Ltd.	\$ 461,769	\$ 427,981
2. Kuen Ling Machinery Refrigerating Co., Ltd.	307,790	270,499
	\$ 769,559	\$ 698,480

- C. 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

	Leased assets -							
	Land	Buildings and structures	Machinery and equipment	machinery and equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Total
At January 1, 2020								
Cost	\$ 1,623,212	\$ 1,445,385	\$ 4,770,622	\$ 662,366	\$ 4,179	\$ 151,498	\$ 3,631,913	\$ 12,289,175
Accumulated depreciation and impairment	(34,697)	(631,543)	(4,302,236)	(611,418)	(3,197)	(132,725)	(3,053,241)	(8,769,057)
	<u>\$ 1,588,515</u>	<u>\$ 813,842</u>	<u>\$ 468,386</u>	<u>\$ 50,948</u>	<u>\$ 982</u>	<u>\$ 18,773</u>	<u>\$ 578,672</u>	<u>\$ 3,520,118</u>
2020								
Opening net book amount	\$ 1,588,515	\$ 813,842	\$ 468,386	\$ 50,948	\$ 982	\$ 18,773	\$ 578,672	\$ 3,520,118
Additions	-	2,590	47,611	-	-	12,058	74,148	136,407
Disposals	(268)	-	(6,103)	-	-	-	(16,580)	(22,951)
Reclassifications	(71,413)	(64,836)	(5,316)	5,731	-	-	(415)	(136,249)
Depreciation charge	-	(28,820)	(93,491)	(14,278)	(342)	(11,264)	(256,040)	(404,235)
Closing net book amount	<u>\$ 1,516,834</u>	<u>\$ 722,776</u>	<u>\$ 411,087</u>	<u>\$ 42,401</u>	<u>\$ 640</u>	<u>\$ 19,567</u>	<u>\$ 379,785</u>	<u>\$ 3,093,090</u>
At December 31, 2020								
Cost	\$ 1,551,531	\$ 1,372,384	\$ 4,690,791	\$ 650,462	\$ 4,179	\$ 163,556	\$ 3,584,691	\$ 12,017,594
Accumulated depreciation and impairment	(34,697)	(649,608)	(4,279,704)	(608,061)	(3,539)	(143,989)	(3,204,906)	(8,924,504)
	<u>\$ 1,516,834</u>	<u>\$ 722,776</u>	<u>\$ 411,087</u>	<u>\$ 42,401</u>	<u>\$ 640</u>	<u>\$ 19,567</u>	<u>\$ 379,785</u>	<u>\$ 3,093,090</u>

	Leased assets -							
	Land	Buildings and structures	Machinery and equipment	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)
	<u>\$ 1,601,060</u>	<u>\$ 852,698</u>	<u>\$ 561,015</u>	<u>\$ 39,419</u>	<u>\$ 1,360</u>	<u>\$ 23,874</u>	<u>\$ 660,104</u>	<u>\$ 3,739,530</u>
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	<u>\$ 1,588,515</u>	<u>\$ 813,842</u>	<u>\$ 468,386</u>	<u>\$ 50,948</u>	<u>\$ 982</u>	<u>\$ 18,773</u>	<u>\$ 578,672</u>	<u>\$ 3,520,118</u>
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)
	<u>\$ 1,588,515</u>	<u>\$ 813,842</u>	<u>\$ 468,386</u>	<u>\$ 50,948</u>	<u>\$ 982</u>	<u>\$ 18,773</u>	<u>\$ 578,672</u>	<u>\$ 3,520,118</u>

- A. For the years ended December 31, 2020 and 2019, 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

- A. The Company leases various assets including buildings and 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 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, 2020	December 31, 2019
	Carrying amount	Carrying amount
Buildings	\$ 84,179	\$ 9,650
Land	32,213	-
Transportation equipment (Business vehicles)	1,335	1,768
	<u>\$ 117,727</u>	<u>\$ 11,418</u>
	For the year ended December 31, 2020	For the year ended December 31, 2019
	Depreciation charge	Depreciation charge
Buildings	\$ 80,484	\$ 84,897
Land	1,191	-
Transportation equipment (Business vehicles)	433	397
	<u>\$ 82,108</u>	<u>\$ 85,294</u>

- C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets was \$155,497 and \$5,843, respectively.
- D. Interest expenses on lease liabilities for the years ended December 31, 2020 and 2019 were \$1,765 and \$798 and the cash outflows were \$130,616 and \$144,147, respectively.
- E. Expenses on short-term leases and leases of low-value assets for the years ended December 31, 2020 and 2019 were \$54,041 and \$53,731, \$1,988 and \$2,257, respectively.

(9) Investment property

	Land	Buildings and structures	Total
<u>At January 1, 2020</u>			
Cost	\$ 1,175,056	\$ 1,867,393	\$ 3,042,449
Accumulated depreciation and impairment	-	(1,003,241)	(1,003,241)
	<u>\$ 1,175,056</u>	<u>\$ 864,152</u>	<u>\$ 2,039,208</u>
<u>2020</u>			
Opening net book amount	\$ 1,175,056	\$ 864,152	\$ 2,039,208
Reclassifications	71,413	64,836	136,249
Depreciation charge	-	(46,168)	(46,168)
Closing net book amount	<u>\$ 1,246,469</u>	<u>\$ 882,820</u>	<u>\$ 2,129,289</u>
<u>At December 31, 2020</u>			
Cost	\$ 1,246,469	\$ 1,942,984	\$ 3,189,453
Accumulated depreciation and impairment	-	(1,060,164)	(1,060,164)
	<u>\$ 1,246,469</u>	<u>\$ 882,820</u>	<u>\$ 2,129,289</u>
	Land	Buildings and structures	Total
<u>At January 1, 2019</u>			
Cost	\$ 1,162,511	\$ 1,861,764	\$ 3,024,275
Accumulated depreciation and impairment	-	(964,093)	(964,093)
	<u>\$ 1,162,511</u>	<u>\$ 897,671</u>	<u>\$ 2,060,182</u>
<u>2019</u>			
Opening net book amount	\$ 1,162,511	\$ 897,671	\$ 2,060,182
Reclassifications	12,545	10,807	23,352
Depreciation charge	-	(44,326)	(44,326)
Closing net book amount	<u>\$ 1,175,056</u>	<u>\$ 864,152</u>	<u>\$ 2,039,208</u>
<u>At December 31, 2019</u>			
Cost	\$ 1,175,056	\$ 1,867,393	\$ 3,042,449
Accumulated depreciation and impairment	-	(1,003,241)	(1,003,241)
	<u>\$ 1,175,056</u>	<u>\$ 864,152</u>	<u>\$ 2,039,208</u>

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

	For the year ended December 31, 2020	For the year ended December 31, 2019
Rental income from investment property	\$ 149,259	\$ 108,410
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 20,655	\$ 19,133
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, 2020 and 2019 was \$3,951,966 and \$3,640,469 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, 2020	December 31, 2019
Prepayment for equipment	\$ 82,945	\$ 1,604
Refundable deposits	21,157	76,984
Deferred expenses	19,236	50,213
Deposits account for the regulations governing the management, utilization, and taxation of repatriated offshore funds	169,411	-
Other assets	1,208	1,208
	\$ 293,957	\$ 130,009

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

(11) Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 1,207,660	0.62%~0.72%	None
Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 55,200	0.63%	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, 2020 and 2019.
- B. The Company recognized net income (loss) of \$907 and (\$227) on financial liabilities held for trading for the years ended December 31, 2020 and 2019, 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, 2020	December 31, 2019
Issuance of bonds payable	\$ 6,000,000	\$ 4,000,000
Less : Bonds payable due in one year	-	(3,000,000)
	<u>\$ 6,000,000</u>	<u>\$ 1,000,000</u>

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

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

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

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

- C. The terms of the first domestic unsecured ordinary corporate bonds issued by the Company in 2020 are as follows:

The Company issued \$3,000,000, 0.70% first domestic unsecured ordinary corporation bonds, as approved by the regulatory authority on June 9, 2020. The bonds mature 5 years from the issue date (June 12, 2020 ~ June 12, 2025) and will be redeemed at face value at the maturity date.

- D. The terms of the second domestic unsecured ordinary corporate bonds issued by the Company in 2020 are as follows:

The Company issued \$2,000,000, 0.60% first domestic unsecured ordinary corporation bonds, as approved by the regulatory authority on September 4, 2020. The bonds mature 5 years from the issue date (September 15, 2020 ~ September 15, 2025) and will be redeemed at face value at the maturity date.

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2020
Long-term bank borrowings and commercial papers payable	Borrowing period is from June 9, 2020 to Dec. 31, 2022; payable at maturity	0.75%~0.95%	None	<u>\$ 1,180,000</u>
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. 31, 2021; payable at maturity	0.48%~0.98%	None	<u>\$ 4,299,967</u>

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

B. As of December 31, 2020 and 2019, the Company has undrawn borrowing facilities of \$16,061,102 and \$15,101,362, 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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	(\$ 1,606,203)	(\$ 1,697,362)
Fair value of plan assets	<u>223,075</u>	<u>171,576</u>
Net defined benefit liability	<u>(\$ 1,383,128)</u>	<u>(\$ 1,525,786)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
For the year ended December 31, 2020			
Balance at January 1	(\$ 1,697,362)	\$ 171,576	(\$ 1,525,786)
Current service cost	(7,781)	-	(7,781)
Interest (expense) income	(14,787)	1,121	(13,666)
	<u>(1,719,930)</u>	<u>172,697</u>	<u>(1,547,233)</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	7,940	7,940
Change in financial assumptions	(47,557)	-	(47,557)
Experience adjustments	<u>33,382</u>	<u>-</u>	<u>33,382</u>
	<u>(14,175)</u>	<u>7,940</u>	<u>(6,235)</u>
Pension fund contribution	-	153,079	153,079
Paid pension	110,641	(110,641)	-
Paid from the account	<u>17,261</u>	<u>-</u>	<u>17,261</u>
Balance at December 31	<u>(\$ 1,606,203)</u>	<u>\$ 223,075</u>	<u>(\$ 1,383,128)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2019			
Balance at January 1	(\$ 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)

- (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, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31, 2020	Year ended December 31, 2019
Discount rate	0.50%	0.90%
Future salary increas	1.75%	1.75%

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, 2020				
Effect on present value of defined benefit obligation	(\$ 59,095)	\$ 62,773	\$ 61,687	(\$ 58,685)
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ 64,499)	\$ 68,611	\$ 67,700	(\$ 64,299)

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, 2021 amount to \$101,957.

(g) As of December 31, 2020, the weighted average duration of that retirement plan is 7.5 years.

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, 2020 and 2019 were \$68,838 and \$69,874, respectively.

(16) Share capital

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

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

	Year ended December 31, 2020	Year ended December 31, 2019
Balance at January 1	1,967,693	2,002,693
Share repurchased and retired	-	(35,000)
Balance at December 31	1,967,693	1,967,693

B. The Board of Directors' meeting on May 13, 2019 resolved a capital reduction through retiring 35,000 thousand of treasury shares and it was registered on June 11, 2019. The purchase amount of treasury shares was \$675,840 and the share capital and capital surplus was decreased by \$350,000 and \$325,840, respectively. As a result, the retirement of treasury shares has no impact to the total amount of stockholders' equity.

C. All of the shares of the Company held by the Company's subsidiaries-Tong-An Investment Co., Ltd. and An-Tai International Investment Co., Ltd. were acquired in or before 2000 for the purpose of general investment. 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 for the purpose of general investment. Also, the subsidiary - Taiwan Pelican Express Co., Ltd. is a subsidiary over which the Company has substantial control and its investment on the Company's shares is a general investment. As of December 31, 2020 and 2019, book value of the shares of the Company held by the subsidiaries amounted to \$511,710 and \$321,563, respectively.

Details are as follows:

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

(17) Capital surplus

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

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

(18) Retained earnings and legal reserve

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

(a) Payment of taxes and duties.

(b) Covering prior years' accumulated deficit, if any.

(c) After deducting items (a) and (b), set aside 10% of the remaining amount as legal reserve.

(d) Set aside a certain amount as special reserve, if any.

(e) Distributing the remaining amount plus prior years' retained earnings to shareholders according to their shareholding percentage. The distribution rate is principally 80%, of which cash dividend shall account for 5% ~ 50% of the distributed amount.

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

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

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land. As of December 31, 2020, the amount previously set aside as special reserve on initial application of IFRSs and yet to be reversed amounted to \$3,640,779.
- E. The Company recognized dividends distributed to owners amounting to \$1,948,016 (\$0.99 (in dollars) per share) and \$1,770,924 (\$0.9 (in dollars) per share) for the years ended December 31, 2020 and 2019, respectively. On March 23, 2021, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2020 was \$2,459,616 at \$1.15 (in dollars) per share.

(19) Other equity items

	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1, 2020	\$ 6,247,481	(\$ 2,676,725)	\$ 3,570,756
Unrealized gains and losses on financial assets:			
–Company	(1,200,833)	-	(1,200,833)
–Subsidiaries, associates and joint venture	5,310,976	-	5,310,976
Revaluation transferred to retained earnings	(690)	-	(690)
Currency translation differences:			
–Company	-	(340,951)	(340,951)
At December 31, 2020	\$ 10,356,934	(\$ 3,017,676)	\$ 7,339,258

	Unrealized gains (losses) 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:			
–Company	1,461,127	-	1,461,127
–Subsidiaries, associates and joint venture	1,845,390	-	1,845,390
Revaluation transferred to retained earnings	(65,818)	-	(65,818)
Currency translation differences:			
–Company	-	(775,001)	(775,001)
At December 31, 2019	\$ 6,247,481	(\$ 2,676,725)	\$ 3,570,756
(20) <u>Operating revenue</u>			
	For the year ended December 31, 2020	For the year ended December 31, 2019	
Revenue from customers	\$ 19,819,029	\$ 18,873,312	
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:			
	For the year ended December 31, 2020	For the year ended December 31, 2019	
Sales of heavy industrial products	\$ 10,277,529	\$ 11,210,529	
Sales of home appliances	4,909,267	4,723,557	
Others	429,780	94,225	
Service revenue	330,719	239,978	
Consruction contract	3,871,734	2,605,023	
	\$ 19,819,029	\$ 18,873,312	
B. Contract assets and liabilities			
	For the year ended December 31, 2020	For the year ended December 31, 2019	
Revenue recognized that was included in the contract liability balance at the beginning of the year			
Advance sales receipts	\$ 92,032	\$ 86,251	

(21) Interest income

	For the year ended December 31, 2020	For the year ended December 31, 2019
Interest income from bank deposits	\$ 8,049	\$ 6,123
Other interest income	3,550	5,465
	<u>\$ 11,599</u>	<u>\$ 11,588</u>

(22) Other income

	For the year ended December 31, 2020	For the year ended December 31, 2019
Rental income	\$ 164,209	\$ 123,247
Dividend income	316,018	271,049
Other non-operating income	448,803	252,394
	<u>\$ 929,030</u>	<u>\$ 646,690</u>

(23) Other gains and losses

	For the year ended December 31, 2020	For the year ended December 31, 2019
Net gain (loss) on financial liabilities at fair value through profit or loss	\$ 907	(\$ 227)
Net gain on financial assets at fair value through profit or loss	409,084	88,601
Net currency exchange loss	(342)	(32,637)
Loss on disposal of property, plant and equipment	(22,663)	(21,281)
Gain on disposal of investments	-	8,428
Miscellaneous disbursements	(511,436)	(425,184)
	<u>(\$ 124,450)</u>	<u>(\$ 382,300)</u>

(24) Finance costs

	For the year ended December 31, 2020	For the year ended December 31, 2019
Interest expense:		
Bank borrowings	\$ 40,816	\$ 38,464
Corporate bonds	45,383	53,692
Others	4,911	8,161
	<u>91,110</u>	<u>100,317</u>
Finance expenses	<u>4,765</u>	<u>1,991</u>
	<u>\$ 95,875</u>	<u>\$ 102,308</u>

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

	For the year ended December 31, 2020	For the year ended December 31, 2019
Wages and salaries	\$ 1,637,361	\$ 1,650,641
Employees' compensation and directors' and supervisors' remuneration	411,053	372,944
Labor and health insurance fees	145,517	152,386
Pension costs	90,285	100,152
Other personnel expenses	89,897	97,866
Depreciation charges on property, plant and equipment and investment property	450,403	388,630
Depreciation charges on right-of-use assets and amortization charges on intangible	103,167	104,388

- 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, 2020 and 2019, employees' compensation was accrued at \$284,575 and \$258,192, respectively; while directors' and supervisors' remuneration was accrued at \$126,478 and \$114,752, respectively. The aforementioned amounts were recognized in salary expenses.
- D. For the year ended December 31, 2020, after considering each year's earnings, the employee benefit expenses were accrued based on past experience and ratio. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$284,575 and \$109,939, and the employees' compensation will be distributed in the form of cash.

Employees' compensation of 2019 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2019 financial statements.

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

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Current tax:		
Current tax on profits for the year	\$ 124,787	\$ 14,516
Tax on undistributed surplus earnings	33,526	111,866
Prior year income tax overestimation	(109,405)	(25,206)
Total current tax	<u>48,908</u>	<u>101,176</u>
Deferred tax:		
Origination and reversal of temporary differences	97,929	179,426
Income tax expense	<u>\$ 146,837</u>	<u>\$ 280,602</u>
(b) The income tax charge relating to components of other comprehensive income is as follows:		
	For the year ended December 31, 2020	For the year ended December 31, 2019
Currency translation differences	(\$ 65,922)	(\$ 19,734)

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2020	For the year ended December 31, 2019
Tax calculated based on profit before tax and statutory tax rate	\$ 731,639	\$ 700,464
Effects from items disallowed by tax regulation	(528,000)	(429,508)
(Underestimation) overestimation of prior year's net deferred tax assets and liabilities	30,519	(55,070)
Effects by investment tax credits	(28,002)	(27,880)
Prior year income tax overestimation	(109,405)	(25,206)
Additional tax on undistributed earnings	33,526	111,866
Others	16,560	5,936
Income tax expense	<u>\$ 146,837</u>	<u>\$ 280,602</u>

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

For the year ended December 31, 2020

	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
— Deferred tax assets:				
Unrealized intercompany profit	\$ 124,778	(\$ 13,046)	\$ -	\$ 111,732
Impairment loss	96,779	-	-	96,779
Currency translation differences	292,418	-	65,922	358,340
Difference resulting from different useful lives of property, plant and equipment between financial and tax basis	32,952	(3,174)	-	29,778
Unrealized expenses	123,478	(36,000)	-	87,478
Permanent loss on investments	35,080	-	-	35,080
Loss on inventory	42,035	24,215	-	66,250
Over provision of allowance for doubtful accounts	11,718	(279)	-	11,439
Others	29,531	(6,397)	-	23,134
	<u>788,769</u>	<u>(34,681)</u>	<u>65,922</u>	<u>820,010</u>
— Deferred tax liabilities:				
Investment income from foreign investments	846,528	61,228	-	907,756
Land value incremental reserve	107,472	-	-	107,472
Others	4,820	2,020	-	6,840
	<u>958,820</u>	<u>63,248</u>	<u>-</u>	<u>1,022,068</u>
	<u>(\$ 170,051)</u>	<u>(\$ 97,929)</u>	<u>\$ 65,922</u>	<u>(\$ 202,058)</u>

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

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

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 321,276</u>	<u>\$ 321,276</u>

E. The Company has not recognized taxable temporary differences associated with investment in certain subsidiaries as deferred tax liabilities. As of December 31, 2020 and 2019, the amounts of temporary difference unrecognized as deferred tax liabilities were \$3,768,639 and \$3,344,376, respectively.

F. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(27) Earnings per share

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

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

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

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

(28) Supplemental cash flow information

Investing activities with partial cash payments:

	<u>For the year ended December 31, 2020</u>	<u>For the year ended December 31, 2019</u>
Acquisition of property, plant and equipment	\$ 136,407	\$ 169,872
Add: Payables at beginning of the year	64,137	112,043
Less: Payables at end of the year	(60,590)	(64,137)
Cash paid	<u>\$ 139,954</u>	<u>\$ 217,778</u>

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 Service Co., Ltd. (A-Ok Technical)	"
Tesen Electric & Machinery Co., Ltd. (Tesen)	"	Taian Technology Co., Ltd. (Taian-EcoBar)	"
Information Technology Total Services Co., Ltd. (ITTS)	"	Taian Jaya Electric Sdn. Bhd. (Taian-Jaya)	"
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 Europe Limited. (Teco Europe)	"	An-Sheng Travel Co., Ltd. (An Sheng)	"
Teco Holding USA Inc. (Teco Holding)	"	Teco Technology (Vietnam) Electric Co., Ltd. (Teco Technology Vietnam)	"
Teco Smart Technologies Co., Ltd. (Teco Smart)	"	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)	"
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)	"
TEMICO INTERNATIONAL PTE. LTD. (Note 3) (TEMICO)	"	Great Teco, S.L. (Note 6) (Great Teco, S.L.)	"
Teco Industrial (Malaysia) Sdn. Bhd. (Teco Malaysia)	"	United View Global Investment Co., Ltd. (UVG)	"
Tecoson Industrial Development Ltd. (Note 4) (Tecoson)	"	Asia Air Tech Industrial Co., Ltd. (AAT)	"
Tecoson HK Co., Ltd. (Note 5) (Tecoson HK)	"	Great Teco Motor (Pte) Ltd. (GTM)	"
Wuxi Teco Electric & Machinery Co., Ltd. (Wuxi Teco)	"	Teco Electronic & Machinery (THAI) Co., Ltd. (Teco THAI)	"
Nan Chang Teco Electronic & Machinery Co., Ltd. (Nanchang Teco)	"	Information Technology Total Services (BVI) (ITTS BVI)	"
Wuxi Teco Precision Industry Co. Ltd (Wuxi Teco)	"	An-Tai International (Singapore) Investment (Pte) Ltd. (An-Tai Singapore)	"
Jiangxi Teco Electric and Machinery Co., Ltd. (Jiangxi Teco)	"	An-Hubbell-Taian Co., Ltd. (An-Hubbell)	"
QingDao Teco Precision Mechtronics Co., Ltd. (QingDao Teco)	"	Universal Mailing Service Co., Ltd. (Universal)	"
Xiamen Teco Technology Co., Ltd. (Note 1) (Xiamen Teco)	"	Teco Australia Pty. Ltd. (Teco Australia)	"
Asia Innovative Technology Co., Ltd. (Xiamen An-Tai)	"	Jie-Zheng Property Service & Management Company (Jie-Zheng)	"

Names of related parties	Relationship with the Company	Names of related parties	Relationship with the Company
P.T Teco Elektro Indonesia (P.T Teco)	The subsidiary	Tai-An Technology (Wuxi) Co., Ltd. (Tai-An Wuxi)	The subsidiary
Teco Group Science-Technology (Hang Zhou) Co., Ltd. (Teco Hang Zhou)	"	Jiangxi TECO Air Conditioning Equipment Co., Ltd. (Jiangxi Teco Air)	"
Information Technology Total Services (Xiamen) Ltd. (ITTS Xiamen)	"	Century Tech. C&M Corp.	"
Fujian Teco Precision Co., Ltd. (Fujian Teco)	"	TECO Westinghouse Motor Company S.A. de C.V. (TWMM)	"
Taiwan Pelican Express Co., Ltd. (Pelican)	"	AM SMART Technology CO., LTD (AM SMART)	"
Tianjin Teco Technology Co., Ltd. (Note 1) (Tianjin Teco)	"	Teco Sun Energy Co., Ltd. (Teco Sun)	"
Top-Tower Enterprises Co., Ltd. (Top-Tower)	"	Teco EV Philippines Corporation (TECO EV)	"
Ching Chi International Limited (Ching Chi)	"	Taisan Electric Co., Ltd. (Taisan Electric)	Associate
Motovario S.p.A. (Motovario)	"	Qingdao TECO Century Advance High-tech Mechtronics Co., Ltd. (TECO Century)	"
United Development Corporation Ltd. (United Development)	"	Teco Middle East Electrical & Machinery Co., Ltd. (TME)	"
Century Development Corporation Ltd. (Century Development)	"	TG Teco Vacuum Insulated Glass Corp. (TG Teco)	"
Asia Electric & Machinery (PTE) LTD. (AEM)	"	Jiangxi Teco-Lead PM Generator Manufacturing Co., Ltd. (Note 1) (Jiangxi Teco-Lead)	"
Teco Electric & Machinery Sdn. Bhd. (STE Marketing SDN. BHD.)	"	Lien Chang Electronic Enterprise Co., Ltd. (Lien Chang)	"
Sankyo Co., Ltd. (Sankyo)	"	Kuenling Machinery Refrigerating Co., Ltd. (Kuenling Refrigerating)	"
Teco Electric & Machinery B.V. (Teco Netherlands)	"	Royal Host Taiwan Co., Ltd. (Royal)	"
TYM Electric & Machinery Sdn. Bhd. (TYM)	"	Tung Pei Industrial Co., Ltd. (Tung Pei)	"
Teco (Dong Guang) Air Conditioning Equipment Co., Ltd. (Teco Dong Guang)	"	Creative Sensor Inc. (Creative Sensor)	"
Unison Service Corporation (Unison)	"	Tension Envelope Taiwan Co., Ltd. (Tension)	"
Baycom Opto-Electronics Technology Co., Ltd. (Baycom)	"	Gen Mao International Corp. (Gen Mao)	"
Tecom International Investment Co., Ltd. (Tecom International)	"	Electrical Trading Co., Ltd. (Shanghai Xiangseng)	"
Teco Sichuan Trading Co., Ltd. (Note 1) (Teco Sichuan)	"	Genmao Electronics (Suzhou) Co., Ltd. (Genmao Suzhou)	"
Qingdao Teco Innovation Co., Ltd. (QingDao Teco Innovation)	"	Teco-Motech Co., Ltd. (Teco-Motech)	"
Shanghai Teco Electric & Machinery Co., Ltd. (Shanghai Teco)	"	Fujio Food System Taiwan Co., Ltd (Fujio Food)	"
TECO Elektrik Turkey A.S. (Turkey Teco)	"	Le-Li Co., Ltd. (Le-Li)	"
Hunan TECO Wind Energy Limited (Note 6) (Hunan Teco)	"	Teco Image System Co., Ltd. (Teco Image)	Other related party
Taian Electric Co., Ltd. (Taian)	"	An-Shin Food Service Co., Ltd. (An-Shin)	"
Information Technology Total Services (Wuxi) Co., Ltd. (ITTS Wuxi)	"	YUBAN & COMPANY (Yuban)	"

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 was incorporated in 2019.

Note 4: 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 5: 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 6: This company was liquidated in 2020.

(2) Significant related party transactions

A. Sales

	Year ended December 31, 2020	Year ended December 31, 2019
Sales of goods and services:		
—Subsidiaries		
Teco Westinghouse	\$ 2,665,311	\$ 2,867,398
Others	5,375,129	5,838,524
—Associates	292,056	251,389
—Other related parties	5,042	4,960
	<u>\$ 8,337,538</u>	<u>\$ 8,962,271</u>
	Year ended December 31, 2020	Year ended December 31, 2019
Royalty income		
(shown as '7020 other income'):		
—Subsidiaries		
Wuxi Teco	\$ 233,452	\$ 55,148
Tai-An Wuxi	69,419	8,110
Teco Westinghouse	62,507	-
Motovario	14,832	17,540
Jiangxi Teco	13,285	10,700
QingDao Teco	4,075	4,373
Others	180	970
—Other related parties	-	82
	<u>\$ 397,750</u>	<u>\$ 96,923</u>

(a) The sales terms, including pricing and collection, were negotiated in consideration of cost, market, competitors and other factors. The unrealized gain from downstream sales amounting to \$450,133 and \$500,745 (shown as '1550 investments accounted for under equity method') for the years ended December 31, 2020 and 2019, 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, 2020	Year ended December 31, 2019
Purchases of goods:		
—Subsidiaries		
Tesen	\$ 2,282,578	\$ 2,163,041
Others	2,932,766	2,917,072
—Associates	236,854	279,845
—Other related parties	1,132	-
	<u>\$ 5,453,330</u>	<u>\$ 5,359,958</u>

	Year ended December 31, 2020	Year ended December 31, 2019
Shipping expense:		
—Subsidiaries	<u>\$ 124,246</u>	<u>\$ 122,744</u>

	Year ended December 31, 2020	Year ended December 31, 2019
Service expense:		
—Subsidiaries	<u>\$ 103,575</u>	<u>\$ 100,288</u>

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

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

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

C. Notes and accounts receivable

	December 31, 2020	December 31, 2019
Accounts and notes receivable		
—Subsidiaries		
Tong Dai	\$ 361,596	\$ 438,893
Teco Australia	291,587	214,493
Teco Westinghouse	221,814	260,460
Others	680,798	1,158,012
—Associates	68,662	57,101
—Other related parties	1,800	163
	<u>1,626,257</u>	<u>2,129,122</u>
Add: exchange loss	(517)	(31,486)
	<u>1,625,740</u>	<u>2,097,636</u>
Less: reclassified to other receivables	-	(473,040)
	<u>1,625,740</u>	<u>1,624,596</u>
Less: allowance for loss	(17,995)	-
	<u>\$ 1,607,745</u>	<u>\$ 1,624,596</u>

- (a) The receivables from related parties arise mainly from sale transactions. The receivables are due 30 to 90 days after the date of sale, unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.
- (b) The aforementioned accounts receivable that were past due were \$0 and \$473,040 as of December 31, 2020 and 2019, respectively. The ageing of the past due accounts receivable is beyond 90 days.

D. Payables to related parties:

	December 31, 2020	December 31, 2019
Accounts and notes payable		
—Subsidiaries		
Wuxi Teco	\$ 382,390	\$ 363,350
Tai-An Wuxi	107,461	100,190
Others	450,336	546,015
—Associates	116,604	140,106
—Other related parties	17	-
	<u>1,056,808</u>	<u>1,149,661</u>
Add: exchange loss	(12,513)	(18,979)
	<u>\$ 1,044,295</u>	<u>\$ 1,130,682</u>

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

E. Loan to related parties:

- (a) Receivables from related parties – credit line

	December 31, 2020	December 31, 2019
Subsidiaries	<u>\$ 187,701</u>	<u>\$ 206,538</u>

- (b) Interest income

	For the year ended December 31, 2020	For the year ended December 31, 2019
Subsidiaries	<u>\$ 3,533</u>	<u>\$ 5,454</u>

As of December 31, 2020 and 2019, the Company had loans to subsidiaries amounting to \$98,722 and \$155,572, respectively. The loans to subsidiaries are repayable monthly over 2 years and carry interest at 2.76%~3.5% and 2.3%~3.5% per annum for the years ended December 31, 2020 and 2019, respectively.

F. Other receivables

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

	December 31, 2020	December 31, 2019
—Subsidiaries		
Teco Netherlands	\$ -	\$ 293,000
Sankyo	-	173,113
Others	-	6,927
	<u>\$ -</u>	<u>\$ 473,040</u>

(b) Others

	December 31, 2020	December 31, 2019
—Subsidiaries		
QinDao Teco	\$ 199,636	\$ 262,410
Wuxi Teco	118,495	82,571
Others	389,139	314,315
—Associates	33,565	24,430
—Other related parties	2,216	2,879
	<u>743,051</u>	<u>686,605</u>
Add: exchange loss	(19,156)	(25,852)
	<u>723,895</u>	<u>660,753</u>
Less: Allowance for doubtful accounts and credit balance of long-term investment	(17,055)	(21,926)
	<u>\$ 706,840</u>	<u>\$ 638,827</u>

The above represents other receivables for rental.

G. Other payables

	December 31, 2020	December 31, 2019
—Subsidiaries	\$ 156,775	\$ 637,127
—Associates	2,792	2,756
—Other related parties	1,706	316
	<u>161,273</u>	<u>640,199</u>
Add: exchange loss	(674)	(1,036)
	<u>\$ 160,599</u>	<u>\$ 639,163</u>

Other payables mainly consist of rent payable, etc.

H. Financing with related parties

(a) Payables to related parties - credit line

	December 31, 2020	December 31, 2019
Subsidiaries	\$ -	\$ 499,800

(b) Interest expense

	For the year ended December 31, 2020	For the year ended December 31, 2019
Subsidiaries	\$ 2,948	\$ 7,180

As of December 31, 2020 and 2019, the actual amount of loan that the Company has drawn from subsidiaries amounted to \$0 and \$499,800, 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, 2020 and 2019, respectively.

I. Endorsements and guarantees provided to related parties

	December 31, 2020	December 31, 2019
—Subsidiaries	\$ 2,082,958	\$ 1,567,293
—Associates	-	40,773
	<u>\$ 2,082,958</u>	<u>\$ 1,608,066</u>

J. Lease transactions — lessee

(a) The Company leases assets located in Guanyin Township, Zhongli District and Tokyo, Japan from Tong-An Assets and other subsidiaries. The assets are for operation or subletted to others. The lease conditions are negotiated by both parties and charged according to the agreed period.

(b) Acquisition of right-of-use assets:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Associates	<u>\$ 155,497</u>	<u>\$ 5,843</u>

On January 1, 2019 (the date of initial application of IFRS 16), the Company increased right-of-use assets by \$90,869.

(c) Lease liabilities

(i) Outstanding balance:

	December 31, 2020	December 31, 2019
Associates	<u>\$ 88,799</u>	<u>\$ 4,880</u>

(ii) Interest expense

	For the year ended December 31, 2020	For the year ended December 31, 2019
Associates	<u>\$ 1,695</u>	<u>\$ 754</u>

K. Property transactions

The Company sold a number of compressors (shown as '1600 property, plant and equipment') to QingDao Teco in July, 2011. The contract amounted to \$54,558 and collection progress is in accordance with mutual agreement. After the inspection, the Company accepted the compressors with discounted payments based on mutual agreement in 2014. As of December 31, 2020, remaining receivable amounted to \$29,710 (shown as 1210 'Other receivables – related party').

(3) Key management compensation

	For the year ended December 31, 2020	For the year ended December 31, 2019
Salaries and other short-term employee benefits	\$ 232,761	\$ 213,136
Post-employment benefits	1,512	1,559
	<u>\$ 234,273</u>	<u>\$ 214,695</u>

8. Pledged Assets

Pledged asset	Book value		Purpose
	December 31, 2020	December 31, 2019	
Other non-current assets - bank deposits	\$ 169,411	\$ -	Restricted by the regulations of the management, utilization, and taxation of repatriated offshore funds
Other current assets - bank deposits	910,890	6,166	Special bank account for government grant
	<u>\$ 1,080,301</u>	<u>\$ 6,166</u>	

9. Significant Contingent Liabilities and Unrecognized Contract Commitments(1) Contingencies

None.

(2) Commitments

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

	December 31, 2020	December 31, 2019
Property, plant and equipment	<u>\$ 13,173</u>	<u>\$ 4,686</u>

B. As of December 31, 2020, the outstanding usance L/C used for acquiring raw materials and equipment was \$726,347.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

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

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

12. Others(1) Capital management

The 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, 2020	December 31, 2019
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 2,167,106	\$ 1,966,144
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 6,258,752	\$ 7,459,586
Financial assets at amortised cost /Loans and receivables		
Cash and cash equivalents	\$ 716,313	\$ 704,888
Notes receivable	391,524	648,141
Accounts receivable	3,433,041	2,647,547
Other receivables	797,220	1,204,104
Guarantee deposits paid	21,157	76,984
	<u>\$ 5,359,255</u>	<u>\$ 5,281,664</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 1,207,660	\$ 55,200
Notes payable	120,430	144,642
Accounts payable	4,447,197	3,615,323
Other payables	2,762,464	3,236,885
Bonds payable	6,000,000	4,000,000
(including current portion)		
Long-term borrowings	1,180,000	4,299,967
(including current portion)		
Guarantee deposits received	20,411	21,740
Lease liabilities	92,695	10,504
	<u>\$ 15,830,857</u>	<u>\$ 15,384,261</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(12).
- C. Significant financial risks and degrees of financial risks
- (a) Market risk
- Foreign exchange risk
- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from recognized assets and liabilities.
 - ii. Management has set up a policy to require Company entities to manage their foreign exchange risk against their functional currency. The entities are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
 - iii. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(12).
 - iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2020

		Sensitivity Analysis				
		Foreign currency amount		Effect on profit or loss		
		(In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	USD	\$ 53,307	28.4800	\$ 1,518,183	1%	\$ 15,182
EUR:NTD	EUR	5,231	35.0200	183,190	1%	1,832
JPY:NTD	JPY	882,586	0.2763	243,859	1%	2,439
RMB:NTD	RMB	58,440	4.3770	255,792	1%	2,558
AUD:NTD	AUD	7,849	21.9500	172,286	1%	1,723
<u>Non-monetary items</u>						
USD:NTD	USD	698,202	28.4800	19,884,800		
EUR:NTD	EUR	126,739	35.0200	4,438,391		
SGD:NTD	SGD	156,534	21.5600	3,374,863		
VND:NTD	VND	252,236,667	0.0012	302,684		
MYR:NTD	MYR	7,595	6.9934	53,117		
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	USD	35,748	28.4800	1,018,103	1%	10,181
EUR:NTD	EUR	428	35.0200	14,989	1%	150
JPY:NTD	JPY	215,092	0.2763	59,430	1%	594

December 31, 2019

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

- v. Total exchange loss including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019 amounted to (\$342) and (\$32,637), 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, 2020 and 2019 would have increased/decreased by \$108,355 and \$98,307, 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 \$312,938 and \$372,979, 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, 2020 and 2019, 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. As at December 31, 2020 and 2019, if interest rates at that date had been 0.25% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have been \$4,775 and \$8,710 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, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable were \$391,524 and \$648,141; \$3,433,041 and \$2,647,547, 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, 2020 and 2019, the loss rate methodology is as follows:

December 31, 2020			
	Expected credit loss rate	Total book value	Loss allowance
Not past due	0%~1%	\$ 1,782,525	\$ -
Up to 30 days	0%~2%	87,417	(52)
31 to 90 days	1%~20%	89,494	(545)
91 to 180 days	1%~100%	23,323	(1,146)
Over 180 days	1%~100%	261,748	(25,944)
		<u>\$ 2,244,507</u>	<u>(\$ 27,687)</u>
December 31, 2019			
	Expected credit loss rate	Total book value	Loss allowance
Not past due	0%~1%	\$ 994,416	\$ -
Up to 30 days	0%~2%	307,653	(191)
31 to 90 days	1%~20%	115,867	(437)
91 to 180 days	1%~100%	30,512	(206)
Over 180 days	1%~100%	249,320	(25,842)
		<u>\$ 1,697,768</u>	<u>(\$ 26,676)</u>

December 31, 2020			
	Expected credit loss rate	Total book value	Loss allowance
Individual	100%	\$ 25,250	(\$ 25,250)
Group A	0%~5%	1,827,438	(108)
Group B	1%~10%	221,205	(68)
Group C	1%~20%	29,777	(60)
Group D	1%~40%	48,843	(67)
Group E	1%~100%	91,994	(2,134)
		<u>\$ 2,244,507</u>	<u>(\$ 27,687)</u>
December 31, 2019			
	Expected credit loss rate	Total book value	Loss allowance
Individual	100%	\$ 25,250	(\$ 25,250)
Group A	0%~5%	1,274,424	(73)
Group B	1%~10%	240,276	(25)
Group C	1%~20%	44,752	(68)
Group D	1%~40%	47,854	(172)
Group E	1%~100%	65,212	(1,088)
		<u>\$ 1,697,768</u>	<u>(\$ 26,676)</u>

- 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, 2020
	Notes receivable and accounts receivable
At January 1	\$ 26,676
Provision for impairment loss	1,042
Write-offs during the period	(31)
At December 31	<u>\$ 27,687</u>
	For the year ended December 31, 2019
	Notes receivable and accounts receivable
At January 1	\$ 27,812
Provision for impairment loss	262
Write-offs during the period	(1,398)
At December 31	<u>\$ 26,676</u>

(c) Liquidity risk

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

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

- ii. As of December 31, 2020 and 2019, the undrawn credit amounts are \$16,061,102 and \$15,101,362, 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 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, 2020	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	\$ 1,207,660	\$ -	\$ -	\$ -	\$ -
Notes payable	120,430	-	-	-	-
Accounts payable	4,447,197	-	-	-	-
Other payables	2,762,464	-	-	-	-
Lease liabilities	88,018	4,892	449	37	-
Bonds payable (including current portion)	-	1,000,000	-	5,000,000	-
Long-term borrowings (including current portion)	1,180,360	-	-	-	-

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	\$ 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	-	-	-	-

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

(3) Fair value information

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

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

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

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

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

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

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 1,100,252	\$ -	\$ 1,066,854	\$ 2,167,106
Financial assets at fair value through other comprehensive income				
Equity securities	<u>6,250,406</u>	<u>-</u>	<u>8,346</u>	<u>6,258,752</u>
	<u>\$ 7,350,658</u>	<u>\$ -</u>	<u>\$ 1,075,200</u>	<u>\$ 8,425,858</u>
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 1,007,844	\$ -	\$ 958,300	\$ 1,966,144
Financial assets at fair value through other comprehensive income				
Equity securities	<u>7,451,793</u>	<u>-</u>	<u>7,793</u>	<u>7,459,586</u>
	<u>\$ 8,459,637</u>	<u>\$ -</u>	<u>\$ 966,093</u>	<u>\$ 9,425,730</u>

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, 2020 and 2019, 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, 2020	For the year ended December 31, 2019
Beginning balance	\$ 966,093	\$ 925,426
Gains and losses recognized in profit or loss	126,655	1,213
Gain and loss recognized in other comprehensive income	553 (	14,431)
Acquired during the year	-	56,514
Sold during the year	(18,101)	(2,629)
Ending balance	\$ 1,075,200	\$ 966,093

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

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	\$ 1,075,200	Market comparable companies	Price to earnings ratio multiple	1.31~5.03	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, 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

- 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, 2020					
			Recognized in profit or loss		Recognized in other
			Favourable change	Unfavourable change	comprehensive income
	Input	Change			Favourable change Unfavourable change
Financial assets					
Equity instrument	Discount for lack of marketability	±5%	\$ 53,343	(\$ 53,343)	\$ 417 (\$ 417)
December 31, 2019					
			Recognized in profit or loss		Recognized in other
			Favourable change	Unfavourable change	comprehensive income
	Input	Change			Favourable change Unfavourable change
Financial assets					
Equity instrument	Discount for lack of marketability	±5%	\$ 47,915	(\$ 47,915)	\$ 390 (\$ 390)

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- I. Trading in derivative financial instruments undertaken during the reporting periods ended: Please refer to Note 6(12).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

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

(3) Information on investments in Mainland China

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

(4) Major shareholders information

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

14. Significant Financial Information

Not applicable.

TECO ELECTRIC & MACHINERY CO., LTD.

Loans to others

For the year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 1

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

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

(1) The Company is '0'.

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

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

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

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

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

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

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

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

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

TECO ELECTRIC & MACHINERY CO., LTD.

Provision of endorsements and guarantees to others
For the year ended December 31, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

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

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020	Outstanding endorsement/ guarantee amount at December 31, 2020	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
3	Century Development	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)	\$ 410,931	\$ 211,291	\$ 211,291	\$ -	5.14	\$ 821,862	Y	N	N	Note 6
4	Tong-An Assets	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)	528,746	152,824	138,564	-	2.62	1,057,493	N	N	N	Note 7
5	Tong-An Investment	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)	150,934	152,824	138,564	-	0.89	200,000	N	N	N	Note 8

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

(1) The Company is '0'.

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

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

(1) Having business relationship.

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

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

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

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

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

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

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

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

Note 5: In accordance with Motovario S.p.A.'s policy, the total guarantee amount shall not exceed 60% of Motovario S.p.A.'s net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

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

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

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

TECO ELECTRIC & MACHINERY CO., LTD.

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

December 31, 2020

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

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

As of December 31, 2020

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

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

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

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

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

TECO ELECTRIC & MACHINERY CO., LTD.

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

For the year ended December 31, 2020

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

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

TECO ELECTRIC & MACHINERY CO., LTD.

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

For the year ended December 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

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

TECO ELECTRIC & MACHINERY CO., LTD.

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

For the year ended December 31, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

TECO ELECTRIC & MACHINERY CO., LTD.

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2020

Table 7

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

Table 8

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

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

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

Table 8
Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

(1) Parent company is '0'.

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

Note 2: Relationship with the transaction company:

(1) The parent company to the subsidiary.

(2) The subsidiary to the parent company.

(3) The subsidiary to another subsidiary.

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

TECO ELECTRIC & MACHINERY CO., LTD.

Information on investees

For the year ended December 31, 2020

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

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

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

TECO ELECTRIC & MACHINERY CO., LTD.

Information on investments in Mainland China

For the year ended December 31, 2020

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	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	\$ 8,750,356	\$ 40,575,139
Taiwan Pelican Express Co., Ltd.	51,168	51,168	1,190,563
Tecom Co., Ltd.	541,961	754,000	287,262
Information Technology Total Services Co., Ltd.	10,167	10,167	318,612
Teco Electro Devices Co., Ltd.	86,101	104,259	195,451

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

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

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

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

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 11

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



TECO ELECTRIC & MACHINERY CO., LTD.
Major shareholders information
December 31, 2020

Table 12

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

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

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

Opinion

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

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

Basis for opinion

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

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

Key audit matters

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

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

Revenue recognition of export sales of heavy industrial products group

Description

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

How our audit addressed the matter

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

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

Other matter – Reference to the audits of other auditors

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

Other matter –Parent company only financial reports

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

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

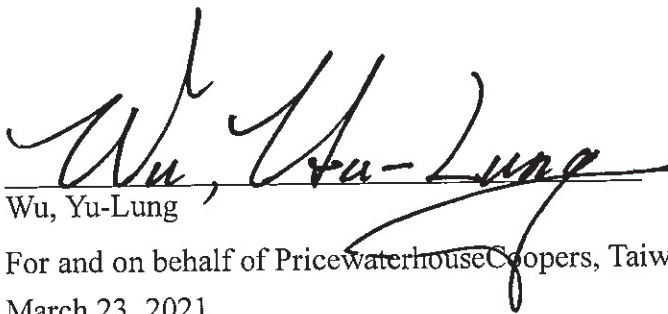
1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of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

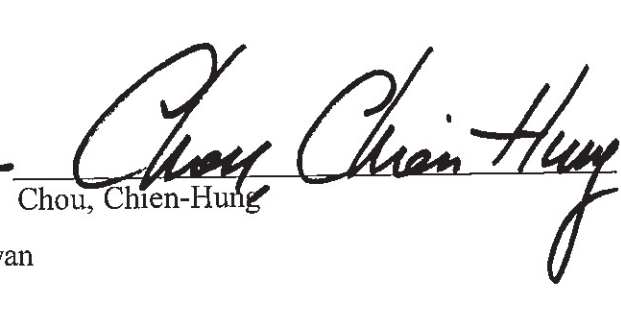
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we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

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

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

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


 Wu, Yu-Lung


 Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2021

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

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

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

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

(Continued)

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

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

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

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

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

(Continued)

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

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

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

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

Notes	Equity attributable to owners of the parent										Non-controlling interest	Total equity
	Retained earnings					Other equity interest						
	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	Treasury stocks	Total			
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 and retrospective restatement	-	-	-	-	(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 for the year	-	-	-	-	(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	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	315,009	-	(315,009)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(1,770,924)	-	-	-	(1,770,924)	-	(1,770,924)	
Reacquisition of treasury shares	-	-	-	-	-	-	-	-	(675,840)	-	(675,840)	
Retirement of treasury shares	(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	-	-	-	-	65,818	-	(65,818)	-	-	-	-	
Proceeds from capital increase of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	
Changes in other non-controlling equity	-	-	-	-	-	-	-	-	-	-	-	
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	
2020												
Balance at January 1, 2020	\$ 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	
Profit for the year	-	-	-	-	3,511,358	-	-	-	3,511,358	300,290	3,811,648	
Other comprehensive (loss) income for the year	-	-	-	-	(17,920)	(340,951)	4,110,143	-	3,751,272	40,667	3,791,939	
Total comprehensive income (loss)	-	-	-	-	3,493,438	(340,951)	4,110,143	-	7,262,630	340,957	7,603,587	
Appropriations of 2019 earnings	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	322,172	-	(322,172)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(1,948,016)	-	-	-	(1,948,016)	-	(1,948,016)	
Acquisition of parent company's share by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	
Recognized as treasury shares	-	(26,468)	-	-	-	-	-	(190,147)	(190,147)	-	(190,147)	
Transactions with non-controlling interest	-	-	-	-	-	-	-	-	26,468	-	-	
Effect of changes in net equity of associates and joint ventures accounted for under the equity method	-	23,792	-	-	-	-	-	-	23,792	-	23,792	
Changes in other non-controlling equity	-	-	-	-	-	-	-	-	-	-	-	
Proceeds from capital increase of non-controlling interests	-	-	-	-	-	-	-	-	-	268,774	268,774	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	690	-	(690)	-	-	700,000	700,000	
Balance at December 31, 2020	\$ 19,676,929	\$ 7,386,901	\$ 7,024,635	\$ 3,640,779	\$ 17,271,503	(\$ 3,017,676)	\$ 10,356,934	(\$ 511,710)	\$ 61,828,295	\$ 5,796,937	\$ 67,625,232	

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

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

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

(Continued)

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

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

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

1. History and Organization

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

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

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

3. Application of New Standards, Amendments and Interpretations

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

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

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

Note : Earlier application from January 1, 2020 is allowed by FSC.

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

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

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

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

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

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

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

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

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 3: This company was liquidated in 2019.

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

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

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

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

Note 8: Newly established subsidiary this year.

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

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

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

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

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

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

C. Subsidiaries not included in the consolidated financial statements:

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

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

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

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

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

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

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

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

(5) Classification of current and non-current items

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

(6) Cash equivalents

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

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

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

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

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

(9) Financial assets at amortised cost

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

(10) Accounts and notes receivable

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

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

(13) Leasing arrangements (lessor) — operating leases

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

(14) Inventories

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

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

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

(16) Property, plant and equipment

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

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

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
 - (a) Fixed payments, less any lease incentives receivable; and
 - (b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 - (c) Any initial direct costs incurred by the lessee; and
 - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

(18) Investment property

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

(19) Intangible assets

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

(20) Impairment of non-financial assets

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

(21) Borrowings

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

(22) Notes and accounts payable

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

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

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

(24) Bonds payable

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

(25) Derecognition of financial liabilities

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

(26) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(27) Financial guarantee contracts

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

(28) Provisions for other liabilities

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

(29) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

C. Termination benefits

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

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

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

(30) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its

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

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

(31) Share capital

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

(32) Dividends

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

(33) Revenue recognition

A. Sales of goods—wholesale

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

B. Installation and construction service of electrification products

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

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

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

C. Incremental costs of obtaining a contract

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

(34) Government grants

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

(35) Business combinations

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

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

(36) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Impairment assessment of goodwill

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

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

6. Details of Significant Accounts

(1) Cash and cash equivalents

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) Financial assets at amortised cost

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

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

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

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

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

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

(5) Notes and accounts receivable

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

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

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

The above ageing analysis was based on past due date.

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

(6) Inventories

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

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

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

B. The Group has no inventory pledged to others.

(7) Investments accounted for under the equity method

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

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

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

A. Associates

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

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

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

Balance sheet

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

	Creative Sensor Inc.	
	December 31, 2020	December 31, 2019
Current assets	\$ 3,193,614	\$ 3,220,429
Non-current assets	2,051,121	1,152,753
Current liabilities	(1,865,805)	(920,458)
Non-current liabilities	(34,478)	(155,141)
Total net assets	<u>\$ 3,344,452</u>	<u>\$ 3,297,583</u>
Share in associate's net assets	\$ 403,856	\$ 398,472
Goodwill	<u>-</u>	<u>-</u>
Carrying amount of the associate	<u>\$ 403,856</u>	<u>\$ 398,472</u>
	Lien Chang Electronic Enterprise Co., Ltd.	
	December 31, 2020	December 31, 2019
Current assets	\$ 1,716,152	\$ 1,583,967
Non-current assets	581,325	625,742
Current liabilities	(880,136)	(841,291)
Non-current liabilities	(40,593)	(52,103)
Total net assets	<u>\$ 1,376,748</u>	<u>\$ 1,316,315</u>
Share in associate's net assets	\$ 465,947	\$ 445,494
Goodwill	<u>-</u>	<u>-</u>
Carrying amount of the associate	<u>\$ 465,947</u>	<u>\$ 445,494</u>
<u>Statement of comprehensive income</u>		

	Tung Pei Industrial Co., Ltd.	
	For the year ended December 31, 2020	For the year ended December 31, 2019
Revenue	\$ 6,701,386	\$ 7,169,410
Profit for the period from continuing operations	\$ 395,620	\$ 283,834
Other comprehensive loss, net of tax	(87,536)	(57,206)
Total comprehensive income	<u>\$ 308,084</u>	<u>\$ 226,628</u>
Dividends received from associates	<u>\$ 54,803</u>	<u>\$ 78,290</u>

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

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

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

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

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

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

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

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

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

(8) Property, plant and equipment

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

	Land	Buildings and structures	Leased assets - buildings and structures	Machinery and equipment	Leased assets - machinery and equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Total
<u>At January 1, 2019</u>									
Cost	\$ 5,557,179	\$ 8,602,994	\$ 5,283,793	\$ 13,572,413	\$ 656,849	\$ 1,116,937	\$ 578,721	\$ 7,828,161	\$ 43,197,047
Accumulated depreciation and impairment	(34,697)	(4,170,145)	(1,873,902)	(11,595,220)	(617,430)	(711,455)	(442,523)	(6,388,132)	(25,833,504)
<u>2019</u>	<u>\$ 5,522,482</u>	<u>\$ 4,432,849</u>	<u>\$ 3,409,891</u>	<u>\$ 1,977,193</u>	<u>\$ 39,419</u>	<u>\$ 405,482</u>	<u>\$ 136,198</u>	<u>\$ 1,440,029</u>	<u>\$ 17,363,543</u>
Opening net book amount	\$ 5,522,482	\$ 4,432,849	\$ 3,409,891	\$ 1,977,193	\$ 39,419	\$ 405,482	\$ 136,198	\$ 1,440,029	\$ 17,363,543
Additions	-	193,790	4,680	310,565	-	91,161	27,147	299,645	926,988
Effect of consolidated entity's movement	-	-	-	-	-	-	-	(874)	(874)
Disposals	(1,193)	(13,268)	-	(51,185)	-	(625)	(49)	(28,865)	(95,185)
Reclassifications	(12,545)	(23,379)	29,741	(37,590)	25,950	-	-	(26,791)	(44,614)
Depreciation charge	-	(223,217)	(177,820)	(340,655)	(14,421)	(76,597)	(35,350)	(394,881)	(1,262,941)
Net exchange differences	(5,409)	(71,098)	(1,088)	(41,261)	-	(1,292)	(1,575)	(22,364)	(144,087)
<u>Closing net book amount</u>	<u>\$ 5,503,335</u>	<u>\$ 4,295,677</u>	<u>\$ 3,265,404</u>	<u>\$ 1,817,067</u>	<u>\$ 50,948</u>	<u>\$ 418,129</u>	<u>\$ 126,371</u>	<u>\$ 1,265,899</u>	<u>\$ 16,742,830</u>
<u>At December 31, 2019</u>									
Cost	\$ 5,538,032	\$ 8,606,403	\$ 5,318,033	\$ 13,141,338	\$ 662,367	\$ 1,143,954	\$ 572,091	\$ 7,640,264	\$ 42,622,482
Accumulated depreciation and impairment	(34,697)	(4,310,726)	(2,052,629)	(11,324,271)	(611,419)	(725,825)	(445,720)	(6,374,365)	(25,879,652)
<u>2020</u>	<u>\$ 5,503,335</u>	<u>\$ 4,295,677</u>	<u>\$ 3,265,404</u>	<u>\$ 1,817,067</u>	<u>\$ 50,948</u>	<u>\$ 418,129</u>	<u>\$ 126,371</u>	<u>\$ 1,265,899</u>	<u>\$ 16,742,830</u>

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

(9) Leasing arrangements - lessee

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

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

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

(10) Investment property

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

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

At December 31, 2019

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

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

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

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

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

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

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

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

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

(12) Other non-current assets

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

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

(13) Impairment of non-financial assets

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

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

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

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

C. There was an indication that assets of the Company's subsidiaries, Nanchang Teco Electric & Machinery Co., Ltd. and Fujian Teco Precision Co., Ltd were impaired. Under the impairment assessment, the Group had adjusted the carrying amount in line with the recoverable amount, and recognised impairment loss amounting to \$20,423 for the year ended December 31, 2020.

D. The Company's subsidiary, An-Tai International Investment Co., Ltd., assessed the ability to continue as a going concern on its investment accounted for using equity method, Hubbell-Taian Co., Ltd.. Under the assessment, certain investments could not be recovered, and there was a concern that the investment value was impaired. Therefore, the Group recognised impairment loss amounting to \$20,625 for the year ended December 31, 2019.

E. Operating revenue of Motorvario S.p.A is lower than its forecast due to the Covid-19 outbreak. The recoverable amount was less than its carrying amount under the Group's assessment for the investment. Therefore, the Group recognised impairment loss of goodwill amounting to \$57,527 for the year ended December 31, 2020.

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

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

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

(14) Short-term borrowings

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

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

Items	December 31, 2020	December 31, 2019
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	\$ -	\$ 50

A. The Group recognized net income (loss) of \$50 and (\$279) on financial liabilities held for trading for the years ended December 31, 2020 and 2019, respectively.

B. Explanations of the transactions and contract information in respect of non-hedged derivative financial liabilities are as follows:

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

C. As at December 31, 2020, information on the non-hedging derivative instruments transaction is provided in Note 6(2).

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

(16) Other payables

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

(17) Bonds payable

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

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

(18) Long-term borrowings

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

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

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

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

(19) Pensions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 is \$114,931.
- (g) The weighted average duration of the defined benefit obligation was 7~14 years as of December 31, 2020.
- B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Group's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2020 and 2019 ranged from 13%~20%. Other than the monthly contributions, the Group has no further obligations.
- (c) Monthly contributions to an independent fund administered by the local pension managing agency are based on a certain percentage of monthly salaries and wages of the Group's other overseas subsidiaries' employees.
- (d) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were \$375,272 and \$435,629, respectively.

(20) Share capital

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

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

Note: Shares in thousands.

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

Details are as follows:

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

(21) Capital surplus

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

(22) Retained earnings and legal reserve

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

(23) Other equity items

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

(24) Operating revenue

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

A. Disaggregation of revenue from customers

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

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

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

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

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

(25) Interest income

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

(26) Other income

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

(27) Other gains and losses

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

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

(28) Finance costs

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

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

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

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

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

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

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

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

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

B. Reconciliation between income tax expense and accounting profit:

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

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

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

For the year ended December 31, 2019

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

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

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

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

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

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

(31) Earnings per share

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

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

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

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

(32) Supplemental cash flow information

A. Investing activities with partial cash payments:

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

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

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

(33) Changes in liabilities from financing activities

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

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

Note 1: Shown as 'other payables'.

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

(34) Details of significant non-controlling interests

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

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

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

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

D. Summarized financial information of the subsidiaries:

Balance sheets

Tecom Co., Ltd. and subsidiaries		
	December 31, 2020	December 31, 2019
Current assets	\$ 916,013	\$ 1,121,509
Non-current assets	986,877	1,109,649
Current liabilities	(863,084)	(1,013,097)
Non-current liabilities	(560,811)	(604,596)
Total net assets	<u>\$ 478,995</u>	<u>\$ 613,465</u>

Taiwan Pelican Express Co., Ltd. and subsidiaries		
	December 31, 2020	December 31, 2019
Current assets	\$ 1,715,232	\$ 1,749,165
Non-current assets	2,125,175	1,830,120
Current liabilities	(966,119)	(871,696)
Non-current liabilities	(890,016)	(978,339)
Total net assets	<u>\$ 1,984,272</u>	<u>\$ 1,729,250</u>

Century Development Corporation and subsidiaries		
	December 31, 2020	December 31, 2019
Current assets	\$ 2,140,653	\$ 1,005,500
Non-current assets	7,799,434	7,693,801
Current liabilities	(737,816)	(696,540)
Non-current liabilities	(2,892,825)	(2,955,297)
Total net assets	<u>\$ 6,309,446</u>	<u>\$ 5,047,464</u>

Information Technology Total Services Co., Ltd. and subsidiaries		
	December 31, 2020	December 31, 2019
Current assets	\$ 680,547	\$ 635,761
Non-current assets	263,195	311,364
Current liabilities	(399,604)	(229,859)
Non-current liabilities	(13,118)	(195,782)
Total net assets	<u>\$ 531,020</u>	<u>\$ 521,484</u>

Statements of comprehensive income

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

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

Statements of cash flows

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

	Century Development Corporation and subsidiaries	
	For the year ended December 31, 2020	For the year ended December 31, 2019
Net cash provided by operating activities	\$ 698,625	\$ 376,128
Net cash used in investing activities	(1,887,212)	(65,843)
Net cash provided by (used in) financing activities	868,090	(297,691)
Effect of exchange rates on cash and cash equivalents	(3,991)	(8,166)
(Decrease) increase in cash and cash equivalents	(324,488)	4,428
Cash and cash equivalents, beginning of year	555,324	550,896
Cash and cash equivalents, end of year	<u>\$ 230,836</u>	<u>\$ 555,324</u>

Information Technology Total Services Co., Ltd.
and subsidiaries

	For the year ended December 31, 2020	For the year ended December 31, 2019
Net cash provided by (used in) operating activities	\$ 244,830	(\$ 23,816)
Net cash provided by (used in) investing activities	24,459	(15,145)
Net cash used in financing activities	(254,067)	(45,004)
Effect of exchange rates on cash and cash equivalents	178	(786)
Increase (decrease) in cash and cash equivalents	15,400	(84,751)
Cash and cash equivalents, beginning of year	70,474	155,225
Cash and cash equivalents, end of year	<u>\$ 85,874</u>	<u>\$ 70,474</u>

7. Related Party Transactions

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

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

Note 1: The investee has been liquidated in 2019.

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

Note 3: The investee has been liquidated in 2020.

(2) Significant related party transactions

A. Operating revenue:

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

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

B. Purchases of goods:

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

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

C. Receivables from related parties:

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

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

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

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

D. Payables to related parties:

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

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

E. Property transactions

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

F. Rent income

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

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

G. Endorsements and guarantees provided to related parties:

	December 31, 2020	December 31, 2019
Associates	\$ 175	\$ 43,477

(3) Key management compensation

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

8. Pledged Assets

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

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Contingencies

None.

(2) Commitments

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

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

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

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

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

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

12. Others

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

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

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

December 31, 2020

Sensitivity Analysis

	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss		Effect on other comprehensive income
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	\$	28.4800	\$ 2,772,955	1%	\$ 27,730	\$	-
EUR:NTD	EUR	35.0200	184,485	1%	1,845		-
USD:RMB	USD	6.5067	992,841	1%	9,928		-
JPY:NTD	JPY	0.2763	246,463	1%	2,465		-
RMB:NTD	RMB	4.3770	312,995	1%	3,130		-
AUD:NTD	AUD	21.9500	172,988	1%	1,730		-
CAD:USD	CAD	0.7848	105,984	1%	1,060		-
USD:SGD	USD	1.3210	269,820	1%	2,698		-
USD:EUR	USD	0.8132	309,777	1%	3,098		-
EUR:USD	EUR	1.3659	545,222	1%	5,452		-
RMB:USD	RMB	0.1537	130,605	1%	1,306		-
<u>Non-monetary items</u>							
USD:NTD	USD	28.4800	19,884,800				
EUR:NTD	EUR	35.0200	4,438,791				
SGD:NTD	SGD	21.5600	3,374,873				
VND:NTD	VND	0.0012	302,684				
MYR:NTD	MYR	6.9934	53,117				
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	USD	28.4800	1,143,728	1%	11,437		-
USD:RMB	USD	6.5067	160,884	1%	1,609		-
USD:VND	USD	23,733.3333	101,161	1%	1,012		-
USD:AUD	USD	1.2975	130,723	1%	1,307		-
USD:MYR	USD	4.0724	140,292	1%	1,403		-
USD:SGD	USD	1.3210	117,252	1%	1,173		-

December 31, 2019

Sensitivity Analysis

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

(b) Credit risk

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

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

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

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

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

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

(c) Liquidity risk

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

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

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

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	-

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

(3) Fair value information

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

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

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

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

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

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

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

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

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

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

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

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

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

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

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

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

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

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

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

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

December 31, 2019

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

(4) Other matter

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

13. Supplementary Disclosures(1) Significant transactions information

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

(2) Information on investees

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

(3) Information on investments in Mainland China

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

(4) Major shareholders information

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

14. Segment Information

(1) General information

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

The Group's reportable segments include motor division and the home appliance division.

The motor division primarily engages in the manufacturing and sales of motors and generators.

The home appliance division primarily engages in the manufacturing, installation, sales and service of home appliances.

(2) Segment performance

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

(3) Financial information by industry

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

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

For the year ended December 31, 2019

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

(4) Reconciliation for segment profit (loss)

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

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

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

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

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

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

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

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

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

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

(5) Information on products and services

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

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

(6) Geographical information

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

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

(7) Major customer information

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2020

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 1

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

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

(1) The Company is '0'.

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

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

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

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

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

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

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

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

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others
For the year ended December 31, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

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

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020	Outstanding endorsement/ guarantee amount at December 31, 2020	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
3	Century Development	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)	\$ 410,931	\$ 211,291	\$ 211,291	\$ -	5.14	\$ 821,862	Y	N	N	Note 6
4	Tong-An Assets	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)	528,746	152,824	138,564	-	2.62	1,057,493	N	N	N	Note 7
5	Tong-An Investment	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)	150,934	152,824	138,564	-	0.89	200,000	N	N	N	Note 8

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

(1) The Company is '0'.

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

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

(1) Having business relationship.

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

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

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

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

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

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

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

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

Note 5: In accordance with Motovario S.p.A.'s policy, the total guarantee amount shall not exceed 60% of Motovario S.p.A.'s net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

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

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

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

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

December 31, 2020

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

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

As of December 31, 2020

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

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

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

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

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2020

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
For the year ended December 31, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2020

Table 7

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

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

Table 8

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

Table 8

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

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

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

(1) Parent company is '0'.

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

Note 2: Relationship with the transaction company:

(1) The parent company to the subsidiary.

(2) The subsidiary to the parent company.

(3) The subsidiary to another subsidiary.

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2020

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

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

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2020

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

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

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of the investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognized by the Company for the year ended December 31, 2020	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
Ecologic International	Distribution of air conditioner	\$ 24,004	Note 2	\$ -	\$ -	\$ -	\$ (11,784)	39.90%	\$ (4,702)	\$ (8,767)	\$ -	Note 16
Jiangxi TECO (AC)	Manufacturing and sales of air conditioning mechanical equipment	79,813	Note 3	79,813	-	79,813	(3,026)	100%	(3,026)	123,618	-	Note 15
Qingdao Teco Innovation	Science Park development and business operations and consulting services	59,444	Note 13	59,444	-	59,444	1,968	100%	1,968	39,650	-	Note 16
Shanghai Teco	Sales of home appliances	23,829	Note 1	23,829	-	23,829	88,008	100%	88,008	188,069	-	Note 15
Hunan TECO	Manufacturing, sales and technical services of 2.0 megawatt and above aerogenerator, wheel lay and other components	240,818	Note 11	240,818	-	240,818	-	100%	-	-	-	Notes 19
Wind Energy Limited	Manufacturing and sales of motors, winding and related parts	119,840	Note 12	-	-	-	5,373	100%	5,373	116,577	-	Note 15
Jiangxi TECO Westinghouse Motor Coil Co., Ltd.	Production and sale of industrial motors and applications	656,500	Note 14	-	-	-	9,810	100%	9,813	803,513	-	Note 15
Wuxi TECO Precision Industry Co. Ltd.	Storage services	26,422	Note 4	26,422	-	26,422	175	100%	175	2,422	-	Note 15
Beijing Pelican Express	Merchandise wholesale	330,613	Note 5	24,746	-	24,746	-	1.63%	-	-	-	Notes 17 and 18
Fubon Gehua (Beijing) Trading Co., Ltd.	Communication network information, technology development, sales and technology services business	6,950	Note 6	6,950	-	6,950	(5,743)	100%	(5,343)	(2,070)	-	Note 15
Wuhan Tecom	R & D, manufacture of broadband access network communication system equipment; sale of products to provide technology services	485,455	Note 7	485,455	-	485,455	(31)	100%	(31)	2,952	-	Note 15
Tecom Tech (Wuxi)	ERP building, system maintenance and purchases of information appliance	10,167	Note 9	10,167	-	10,167	9,737	100%	9,737	26,550	-	Note 15
Information Technology (Wuxi)	ERP building, system maintenance and purchases of information appliance	4,421	Note 9	-	-	-	(835)	100%	(835)	(154)	-	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, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognized by the Company for the year ended December 31, 2020	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	to Taiwan							
Wuxi TECO Electro Devices Co. Ltd.	R&D, manufacturing and sales of motors and provide products sales skills	\$ 115,125	Note 10	\$ 86,101	\$ -	\$ -	\$ 86,101	\$ 35,919	100.00%	\$ 35,919	\$ 159,853	\$ 43,266	Note 15

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	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	\$ 8,750,356	\$ 40,575,139
Taiwan Pelican Express Co., Ltd.	51,168	51,168	1,190,563
Tecom Co., Ltd.	541,961	754,000	287,262
Information Technology Total Services Co., Ltd.	10,167	10,167	318,612
Teco Electro Devices Co., Ltd.	86,101	104,259	195,451

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

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

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

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

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 11

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



TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Major shareholders information

December 31, 2020

Table 12

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

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