

TECO ELECTRIC & MACHINERY CO., LTD.

2021

Annual Report



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I. Letter to Shareholders



Dear Shareholders,

Looking back on 2021, because of COVID-19 and its variant Omicron, the global lockdown affected real economic activities, resulting in severe inflation and supply chain disruptions. Major international ports are congested, and freight rates have soared. The prices of bulk materials such as copper and iron have increased significantly, and there is a global IC shortage. Therefore, the profitability of the overall industry are compressed. Although Taiwan has been affected by the pandemic since May 2021, domestic production capacity has continued to increase, and exports are thriving. Major constructions of domestic public and private sectors have also progressed forward. Taiwan's economic performance in 2021

was among the best in the world, with an annual economic growth rate of 6.28%.

A. Review of 2021 business performance

The company's business focuses on the three main areas of mechatronics, energy, and air conditioning, striving for the following business opportunities: 1. Regarding "smart manufacturing," the company has continued to exercise the two core competencies of advanced power control and electromechanical integration, promote the business opportunities of AMR(Autonomous Mobile Robots) applications, and fully develop EV powertrains. Orders have increased by 15% and 250%, respectively. 2. Regarding "smart energy," the company focuses on renewable energy-related constructions. We have received more than NT\$ 4.7 billion orders, and we have also obtained IDC engineering projects from different clients. 3. To develop more "smart city" solutions, the company uses digital tools to enhance operational efficiency and improve performance. We are also actively strengthening the energy efficiency and networking functions of air conditioning products to provide users with value of energy management.

(1) The implementation results of the strategic development plan in 2021

a. Green energy projects were extremely fruitful in 2021. The company obtained the Hai Long onshore step-down substation turnkey project. TECO accounts for 35% of the market in the field of Onshore substations of offshore wind power. Regarding solar energy projects, we have achieved 7.1 MW of self-developed projects, and the total scale of orders has reached 11.4 MW. Regarding energy storage, in addition to completing the PCS localized production target and participating in the bidding of Taipower's energy storage demonstration project, we have achieved orders of up to 6 MW in private self-developed energy storage. Many companies are vying to work with us.

Regarding electric vehicle powertrains, in addition to completing independent production lines for electric motors in Taiwan and Wuxi and putting them into mass production, we also completed the development testing of 250 kW vehicle powertrains and participated in the "Electric Bus Demonstration Project" of the Ministry of Transportation and Communications. Many automakers in the commercial vehicle market are using TECO powertrains to complete prototype development and performance testing. A considerable order value is expected in 2022.

The company continues to promote digitalization to improve operation management efficiency, including revenue, gross profit margin, delivery time, quality, etc., and connects with the improvement plan tracking system. In addition to CRM, we built the TOS (TECO Order System) to obtain global business opportunities simultaneously with affiliated companies.

Regarding smart manufacturing, we invested in building an advanced smart rotor automatic production line for small motors and unmanned motor assembly line, gradually achieving a full process smart factory for motors. Regarding products, we also strengthened components and solutions for intelligent and automated manufacturing, including "join modules of collaborative robot," "networked DC servo drives," "smart following vehicles," "diverse smart logistics multiple-vehicle systems," etc.

b. R&D achievements and forward-looking product development

The company's R&D results were fruitful in 2021, winning 14 awards in the 30th Taiwan Excellence Awards. Among them, the "TECO Smart Anti-Epidemic Robot" was nominated for the Silver Award,

the highest honor in the competition. We also obtained 29 patents in 2021. Regarding energy conservation, emission reduction, intelligence and automation, we developed forward-looking products in 2021, including: “High-power and high-voltage electric vehicle powertrains” used in electric buses, industrial-use “smart monitoring very high power density forced ventilation low-voltage motors,” “IE3 premium efficiency pressure-resistant explosion-proof motors,” “variable speed energy-saving permanent magnet motors for air conditioning systems,” “smart monitoring low noise circulating water pump motors,” etc.

(2) 2021 financial status, execution result of business plan, and profits

a. Consolidated report of the company and subsidiaries

Unit: NT\$1,000

	2021	2020	Change
Sales Revenue	52,557,027	45,823,430	14.7%
Operating Profit	5,069,358	3,534,057	43.4%
Net Income	5,502,191	3,811,648	44.3%
Total comprehensive income for the current period	26,976,650	3,811,648	254.8%

Regarding Sales revenue, the annual growth was 14.7%. Mechatronic products grew by 14%, mainly because of the relatively low impact of the pandemic in China and Europe, so the demand has recovered. There are also energy efficiency transformation business opportunities in China, so the revenue of various affiliated companies increased significantly. Household air conditioning products grew by 13%. In addition to the revenue from “air conditioning in every class in primary and secondary schools,” the logistics business of Taiwan Pelican Express also increased. Engineering revenue and equipment revenue also increased by 16%. In addition, because of the rise in share prices of financial instruments held, the revenue generated by the valuation gain on financial instruments recognized by subsidiaries also increased significantly.

Regarding operating profit, the annual increase was 43.4%, mainly because of the increase in gross profit and decrease in operating expense ratio. The overall gross profit margin in 2021 was comparable to the same period in 2020. But the gross profit increased because of revenue growth, boosting operating profit. Regarding operating expenses, the operating expense ratio decreased because of expense control during the pandemic.

Regarding the net income for the current period, the annual increase was 44.3%, mainly because of the dividend income and the increase in net investment income or loss accounted for under the equity method from non-operating income and government pandemic subsidies received by American subsidiaries.

Regarding the total comprehensive income for the current period, the annual increase was 254.8%, mainly because of the substantial increase in the unrealized valuation gain on financial instruments held by subsidiaries.

b. Parent company alone

Unit: NT\$1,000

	2021	2020	Change
Sales Revenue	22,940,571	19,819,029	15.8%
Operating Profit	1,376,984	1,075,033	28.1%
Net Income	5,013,134	3,511,358	42.8%

Regarding Sales revenue, the annual growth was 15.8%. Regarding mechatronic products, the demand for motors and inverters has gradually recovered. Both prices and volumes have grown considerably, resulting in revenue growth of nearly 20%. Household air conditioning products have benefited from work-from-home business opportunities, coupled with large orders from “air conditioning in every class in primary and secondary schools,” we received the largest order of 42,000 air conditioning units among domestic brands, increasing revenue by NT\$1 billion in 2021. There was also a 14% increase in engineering revenue.

Regarding operating profit, the annual growth was 28.1%. The cost of the complete appliance because of the inflation of raw materials and freight rates have soared, which affected the gross profit and gross profit margin. However, through raising prices and improving production efficiency with production automation and intellectualization, the company reduced the impact of rising costs on gross profit margin. In addition, the control of operating expenses during the pandemic was significantly effective. Therefore, the operating income grew by 28.1%.

The net income of the current period increased significantly. The investment income accounted for under the equity method in non-operating income increased significantly compared to the same period in 2020. In particular, the revenue and profits of affiliated companies in China and Europe increased significantly. Furthermore, the gain on disposal and valuation gain on financial instruments recognized by subsidiaries also increased significantly. Therefore, the net income of the current period grew by 42.8%.

(3) Financial strategy and shareholders' equity

Engaged mainly in the R&D, production, and sales of industrial products in a mature industry, the company's financial strategy has always focused on stable operation. Every year, the company actuarially plans the cash flow and determines the proper financial structure based on the business plan, capital expenditures, working capital requirements, and shareholder returns.

Table 1

Year	Net profit (NT\$100 M.)	Cash flow ratio	Current ratio	Debt ratio
2019	35.18	29.21%	216.55	37.73
2020	38.11	28.35%	232.90	36.05
2021	55.22	126.64	213.81	29.98

Given the steady cash flow from operating activities and adherence to a stable and sustainable business strategy, Taiwan Ratings has granted TECO "twA" (stable) credit rating since 2012, enabling the company to use financing tools with lower interest rates to greatly reduce financing costs. 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.

B. Summary of 2022 business plan

Regarding 2022 prospects, the global economic outlook is still affected by Omicron and inflation. The Directorate-General of Budget, Accounting and Statistics of the Executive Yuan predicts a domestic economic growth rate of 4.42%. The growth momentum is expected to continue to be better than that of most economies.

The main operating strategies and growth plans for 2022 are explained as follows:

1. Existing career growth plan

In Green Mechatronic Solution business group, the demand in North American market has grown strongly this year because of rising oil prices. Moreover, under the huge pressure of "carbon neutrality," electrification program for U.S. Oil & Gas transmission and distribution pipelines, and waste heat recovery will help the growth of inverters and energy-saving solutions. In addition, the company provides carbon-neutral solutions, including high-efficiency motor drive systems, waste heat recovery power generation, and equipment inspection-free system, for energy intensive Industries such as electronics, petrochemicals, steel, and paper industries, expanding direct sales.

Regarding Intelligence Energy business group, given the spread of 5G/big data/cloud services and TECO's exceptional technologies, IDC engineering business is expected to grow strongly in domestic and foreign markets. More than 3 billion orders in related projects were received in 2021. The target revenue of 2022 grew by 30%. As for renewable energy creation and energy storage business, benefiting from Taiwan's renewable energy policy, renewable energy is expected to account for 20% of power generation by 2025. The growth of TECO's orders and revenue is highly expected.

Regarding Air and Intelligent Life business group, the company continues to focus on providing full-field smart air conditioning and energy management as well as contributing to a new ESG carbon-neutral lifestyle. In addition, the company will create new business opportunities, including integrating the Group's resources and IoT technology to launch home-delivered smart refrigerators that meet the last mile of refrigeration and freezing demands. The new rent-to-own operating model accelerates the promotion of air conditioning energy-saving solutions.

2. Strategic growth plan

Adhering to TECO's vision of "energy conservation, emission reduction, intelligence, and automation," in addition to existing business, the company's strategic growth plan will continue to focus on electric vehicle

powertrains, renewable energy business opportunities, and enhancing digital/smart production to improve operating ability!

Among them, the company will continue to expand OEM business opportunities for EV powertrains, with a target growth of more than 60%. In addition, with the localization of electric buses and the 10-year subsidy policy of NT\$90 billion, TECO expects to obtain more than 80% of the market share of domestic electric bus powertrains. The completion of the EV motor production line in India this year will facilitate nearby order intake and production.

In response to grid stability problems caused by renewable energy, the global energy storage market is estimated to grow at a CAGR of 45% to about 70 GWh by 2025. Taiwan's market will see an annual storage demand of 1 GW after 2025. TECO has integrated its energy management system and electric power engineering experience using its own PCS technology to actively pursue the Taipower energy storage demonstration project, laying the best strategy for the upcoming solar-plus-storage business opportunity.

Regarding digital transformation, TECO has entered the “digital optimization” stage. The BI system, initiative and performance management platform, AI-based process/quality inspection system, AI order prediction system, and smart supply chain management platform will be introduced one by one. The smart manufacturing production line will be expanded simultaneously to make TECO's global supply chain more resilient!

3. Sustainable development

The company has been included in the Dow Jones Sustainability Index (DJSI) and S&P Global's The Sustainability Yearbook for two consecutive years. We have also won the Platinum Award of Taiwan's Top 50 Corporate Sustainability Reports for eight consecutive years, and we won the Climate Leadership Award for the first time. We have been ranked in the top 5% of corporate governance evaluation for seven consecutive years. The company has achieved outstanding sustainability operation and corporate governance performance. We have been recognized by domestic and international equitable evaluation agencies!

In 2021, TECO completed the first phase of the “20% emission reduction in ten years” mission ahead of schedule, including carbon footprint verification of iconic products, the construction of the rooftop solar power plant in the Chung-Li plant, and qualification to issue certificates for self-generated and self-consumed green power. This year, the company announced the target of “50% emission reduction in ten years” by 2030. The scope of implementation has expanded to overseas plants, further moving toward carbon neutrality. In addition, as mentioned in the strategic growth plan, the company will actively create and pursue various energy-saving business opportunities, establishing the cornerstone of sustainable development with sustainable products.

In conclusion, the company will continue to uphold the concept of sustainable operations and implement corporate governance standards to create a sustainable work environment for employees, provide services with more added values to customers, and bring the best interests to shareholders.

Chairman: Sophia Chiu

President: George Lien

Accounting chief: Tommy Wu

II. Company Profile

Date of Incorporation: June, 1956

Company History

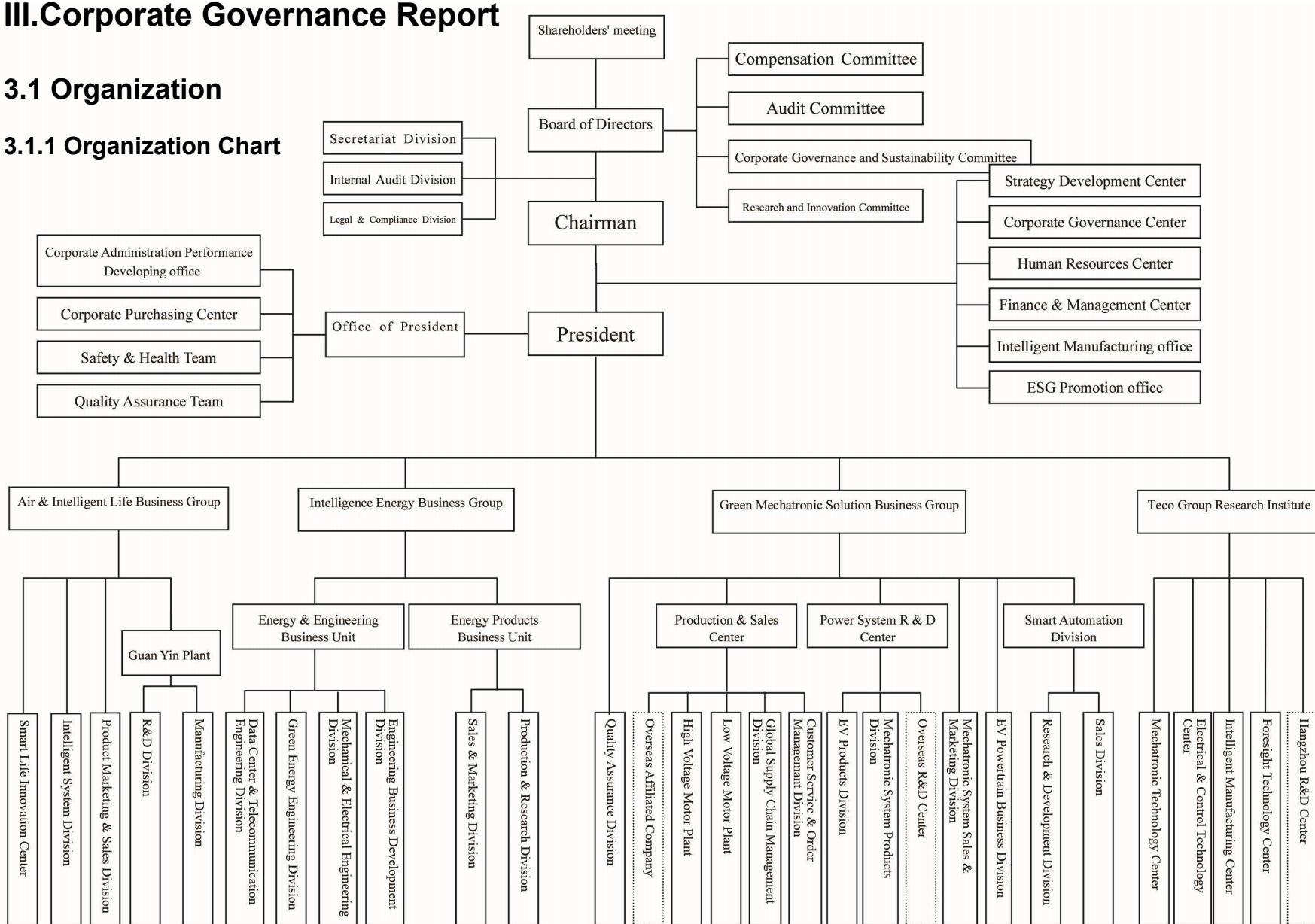
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|---|--|
| <p>1956 Established</p> <p>1970 Produced air conditioners and entered the home appliances market</p> <p>1986 Joint venture with Westinghouse Electric to form TECO Westinghouse Motor</p> <p>1989 Founded TECO Industry Malaysia Sdn. Bhd.</p> <p>1990 Founded Toshiba Compressor (Taiwan) Corp. with Toshiba</p> <p>1992 Established Yatec Engineering Corporation with Yaskawa Electric Manufacture Co., Ltd of Japan</p> <p>1995 Acquired Westinghouse Motor Co., Ltd (USA)</p> <p>1998 Founded TECO Electro Devices Co., Ltd. for manufacturing of stepping motors</p> <p>1999 Founded TECO (Dong Guan) Air Conditioning Equipment Co., Ltd. for manufacturing and sales of commercial air conditioning</p> <p>2000 Founded Suzhou TECO Electric & Machinery Co., Ltd for the production and distribution of small motors</p> <p>2001 Established Smart Card Division for National Health Insurance IC-card project</p> <p>2002 Founded Wuxi TECO with China Steel, Nippon Steel and Marubeni-Itochu Steel for production and distribution of large motors</p> <p>2003 Wuxi TECO Electric & Machinery Co., Ltd commenced mass production Merged Tai-An Electric Co., Ltd.</p> <p>2004 Exported large-sized LCD TV to Japan Established Jiangxi TECO Electric & Machinery Co., Ltd.</p> <p>2005 Founded Yaskawa TECO Motor Engineering Corp. to expand to Japanese market Won bid of orange/blue line extension projects of TRTS project</p> <p>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</p> <p>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</p> <p>2008 Founded Fujian TECO Precision Co., Ltd.
Asia Innovative Technology Co., Ltd. (Xiamen) commenced operation
TECO Electric & Machinery (Qingdao) Co., Ltd. commenced production</p> <p>2009 Completion of TECO Mexico plant
Inauguration of Qingdao TECO Century
Inauguration of Tianjin operating center</p> <p>2010 Inauguration of Fujian Teco Precision Co., Ltd.
Rollout of TECO's first 2MW wind-power turbine
Inauguration of TECO Sichuan Trading Co., Ltd.</p> <p>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)</p> <p>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</p> <p>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.</p> <p>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</p> <p>2015 Acquired Motovario S.p.A, extending the operation from motors to power transmission system, and facilitating expansion of TECO's operation into Europe
Erected a joint venture with China Steel Machinery, aiming at offshore wind turbine market
"Award of Corporate Citizen" granted by Commonwealth magazine for the fourth consecutive year
Acquired top 5% of Corporate Governance Evaluation fot the first consecutive year
Nation's foremost electric-machinery manufacturer, according to the study on the Top 2,000 enterprises conducted by the Commonwealth magazine</p> | |
|---|--|

- 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 Visedo of Finland
Theodore Huang, chairman of TECO Group, was granted by the Japanese government the "Order of the Rising Sun."
Granted National Innovation Award for Air-Quality Monitoring System
TECO Smart E-Tricycle Wins 2018 System Integration Award
- 2018 Ground breaking for TECO's plant in Binh Duong province, Vietnam
Granted Taiwan Corporate Sustainability Awards for fifth straight year
Inclusion in top 5% among public companies in corporate governance evaluation for fourth year in a row
Rollout of "Very High Power Density and Smart Motor"
Signing of memorandum of understanding with Mitsubishi Vesta Offshore Wind for cooperation
Granted "smart machinery golden awards" for the "automated motor-stator production center" at the Chungli plant
Honor of emerging brands in Taiwan international brand awards
- 2019 TECO's high efficiency motor plant in Binh Duong province, Vietnam was inaugurated
The intelligent food delivery service robot won the silver medal of Taiwan Excellence Awards
Join hands with CIP to start the construction of the onshore substation at the Changfang and Xidao Wind Farm
Taiwan Sugar Corp. x TECO builds Taiwan's first smart green energy recycling house.
Taiwan Enterprise Sustainability Award (TCSA) for six consecutive years.
Top 5% of corporate governance evaluation for five consecutive years.
"Award of Corporate Citizen" granted by Commonwealth magazine for the eighth consecutive year.
Selected as one of the constituent stocks of the FTSE4Good TIP Taiwan ESG Index
Taipei City Public Construction Excellence Award.
Information Technology Total Service is listed over the counter.
- 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.
- 2021 Vehicle power system production center launched in Zhongli District
Ranked top in Taiwan and selected the scheme of "classrooms equipped with air conditioning" crossing 20 cities and counties
Undertook the Hailong Project as EPC contractor for the onshore substation
Won the nechatronic project at Taoyuan Airport Terminal 3 Area
Signed the cooperation agreement with RAC Electric Vehicles Inc. for 500 electric buses
Donated the screening stations and over 100 portable air conditionings
Passed ISO27001 authentication and built the information safety management system
"TECO Smart Anti-Epidemic Robot" silver award of Taiwan Excellence
Selected as a constituent stock of DJSI Dow Jones Sustainability Index-Emerging Markets for two consecutive years
Silver award of Taiwan Invention Awards for two consecutive years
Ranked top 5% of Corporate Governance Evaluation for seven consecutive years
Taiwan Corporate Sustainability Awards (TCSA) for eight consecutive years
TECO listed in 2021 S&P Global Sustainability Yearbook for two consecutive years

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Business Unit	Operations
Green Mechatronic Solution	Production of 1-phase motors, vehicle-used motors, permanent-magnet motors, 3-phase motors, iron and steal casting, high-efficiency motors, anti-explosive motors, inverter-duty motors, DC motors, generators, inverters, programmable logic controllers, servo controllers and other products, production and sales of AGV (automated guided vehicle) and other products.
Intelligence Energy	<p>Supplier of profession electric equipment and systems-related materials (R&D, design, production, and sales of equipment)</p> <p>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);</p> <p>Air-conditioning equipment for specific environments such as clean rooms;</p> <p>Design, construction and management of electrical engineering systems for high-rise buildings.</p> <p>Design, construction and management of engineering for IDC plants.</p> <p>Offshore wind power substation project.</p> <p>integration of air-conditioning and electrical engineering systems for hospitals and hotels;</p> <p>Water resource/water pump stations and other related projects;</p> <p>Ultra-high pressure 161KV/69KV substations switchgears and installation projects.</p> <p>Project of smart grid and energy storage; system integration nosiness of solar power system;</p> <p>Production and sale of electromagnetic switch, molded- case circuit breakers and electronic relays</p>
Air and Intelligent Life	<p>Production, assembly, sales, and repair of residential air conditioners, refrigerators, washing machines, dehumidifiers, dryers, LCD monitors, home appliances, seasonable appliances, beauty appliances, kitchen 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.</p> <p>Chip-embedded cards for financial, e-banking, medical, membership loyalty, surveillance, e-invoice, and public transportation services; systems integration for ITS- and RFID-based cards; non-person vending machine.</p>
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.

3.2 Directors and Management Team

3.2.1 Directors

March 31, 2022

Title	Nationality/ Companies Registry	Name	Gender Age	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.		2021.7.23	3	2000.4.21	31,991,364	1.50%	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	Female 61~70	2021.7.23	3	2006.6.15	0	0%	2,088,107	0.10%	16,987	0.00%	0	0%			-	-	-
Director	ROC	Tong Ho Global Investment Co., Ltd		2021.7.23	3	2000.4.21	2,240,262	0.10%	2,240,262	0.10%	0	0%	0	0%	Bachelor of Economics, Fu Jen Catholic University	Chairman of Sen Yeh Construction Co., Ltd. Independent Director of Aurotek Corporation	-	-	-
		Representative: Cheng-Tsung Huang (Note 1)	Male 61~70	2021.7.23	3	1991.5.8	0	0%	15,279,849	0.71%	2,110,934	0.10%	0	0%			-	-	-
Director	ROC	Show-Shoun Chou	Male 51~60	2021.7.23	3	2021.7.23	0	0%	10,000	0.00%	0	0%	0	0%	PhD of Policy Analysis and Administration, Cornell University	Chairman of Yu Shan Entertainment Cooperation CO., Ltd. Director of National Policy Foundation	-	-	-
Director	ROC	Ho Yuan International Investment Co., Ltd.		2021.7.23	3	2021.7.23	23,467,000	1.10%	45,701,000	2.14%	0	0%	0	0%	Master of Public Administration, National Chengchi University	Supervisor of PJ Asset Management	-	-	-
	ROC	Representative: Pen-Ching Cheng	Male 61~70	2021.7.23	3	2021.7.23	0	0%	0	0%	1,657	0.00%	0	0%			-	-	-
Director	ROC	Yinge Int. Inv. Co., Ltd		2021.7.23	3	2018.6.15	14,454,698	0.68%	22,554,698	1.05%	0	0%	0	0%	Master of Science, University of Warwick	Chairman of Yinge Int. Inv. Co., Ltd Director of Ta Hong Machinery Co., Ltd.	-	-	-
	ROC	Representative: Li-Chong Huang	Male 41~50	2021.7.23	3	2021.1.1	0	0%	0	0%	0	0%	0	0%			-	-	-
Director	ROC	Creative Sensor Inc.		2021.7.23	3	2009.6.19	77,519,000	3.62%	77,519,000	3.62%	0	0%	0	0%	PhD in Electrical Engineering and Computer Science, Massachusetts Institute of Technology	Director and President of Universal Cement Corporation Director of Tainan Spinning Co., Ltd.	-	-	-
	ROC	Representative: Johnson Hou(Note 2)	Male 31~40	2021.7.23	3	2021.7.23	0	0%	0	0%	0	0%	0	0%			-	-	-


Title	Nationality/ Companies Registry	Name	Gender Age	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	Song-Ren Fang	Male 51~60	2021.7.23	3	2021.7.23	0	0	0	0	0	0	0	0	PhD of Material Science and Engineering, Stanford University, US	Chairman of Darwin Venture Management Independent Director of Sciencetech Corporation			
Independ ent Director	ROC	Wei-Chi Liu	Male 61~70	2021.7.23	3	2018.6.15	0	0	0	0	0	0	0	0	PhD of Business Administration, Northwestern University	Independent Director of Fusheng Precision Co., Ltd and An-Shih Food Co., Ltd.	-	-	-
Independ ent Director	ROC	Hsieh-Hsing Huang	Male 51~60	2021.7.23	3	2021.7.23	0	0	0	0	0	0	0	0	Master of Laws Program for Executive, National Chengchi University Master of Business Management, National Sun Yat-sen University	Chairman of Chungsun Prime Certified Public Accountants Indepent Director of China Airlines Ltd.	-	-	-
Independ ent Director	ROC	Li-Chen Lin	Female 61~70	2021.7.23	3	2021.7.23	0	0	0	0	0	0	0	0	Master of Business Administration, Tulane University	Director of PCL TransAsia Law Offices Director of CPC Corporation, Taiwan	-	-	-
Independ ent Director	ROC	Shiang-Chung Chen	Male 51~60	2021.7.23	3	2021.7.23	0	0	0	0	0	0	0	0	Bachelor of Industrial Engineering, Purdue University	Chairman of Mercuries Data Systems Ltd. Independent Director of Walsin Lihwa Corporation			

Note 1: The representative of Tong Ho Global Investment Co., Ltd changed from Mao-Hsiung Huang to Cheng-Tsung Huang on October 1st 2021.

Note 2: The representative of Creative Sensor Inc. changed from Yu-Ren Huang to Johnson Hou on December 30th 2021.

Information disclosure of Director qualifications and independence of independent directors

Criteria	Professional Qualification and Experience	Independence Criteria(Note1)											Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		1	2	3	4	5	6	7	8	9	10	11	
<p>Name</p> <p>Tung Kuang Investment Co., Ltd. Representative: Chwen-Jy Chiu</p> <p><input checked="" type="checkbox"/> Convener <input checked="" type="checkbox"/> Committee members</p> <p>(Note2)</p>	<p>After graduating from the College of Commerce, National Taiwan University, Ms. Chwen-Jy Chiu subsequently obtained a master degree in accounting from National Chengchi University and an MBA degree from the University of Michigan.</p> <p>Ms. Chiu has over 30 years work experience. She once served as vice president in charge of business at the Taipei branch of ABN AMRO. Since joined the TECO management team in 1997, she served at TECO such stints as director of the financial department, assistant vice president of the home-appliance division, vice president and president. She became TECO's chairman in 2015, putting forth the objective of "energy conservation, emissions reduction, smart application and automation", leading the company in march towards Industry 4.0. Without cases mentioned in various clauses of Article 30 of Company Law.</p>	V		V	V	V	V		V	V	V		0
<p>Tong Ho Global Investment Co., Ltd Representative: Cheng-Tsung Huang</p>	<p>Graduated from economics department of Fu Jen Catholic University, Mr. Huang has over 30 years of work experience. He once served as President of Importers and Exporters Association of Taipei (2012-2018) and President of Taiwan Business Council for Sustainable Development (2015-2021). Now, he is appointed as chairman of Sen Yeh Construction Co., Ltd. and independent director of Auroteck Corp.</p> <p>Mr. Huang is proficient in electric vehicle, smart automation, smart city, new energy, land development, corporate operation leadership, international marketing and sales, ESG and other areas. Without cases mentioned in various clauses of Article 30 of Company Law.</p>	V		V	V	V	V	V	V	V	V		1
<p>Show-Shoun Chou</p> <p><input checked="" type="checkbox"/> Committee members <input checked="" type="checkbox"/> Committee members</p>	<p>With a PhD of management in policy analysis and administration from Cornell University, US, Mr. Chou who served in the Legislative Yuan from 2005 to 2012 and vice chairman of ADATA Technology (2012-2017). Now, he is appointed as the consultant of the Legislative Yuan, chairman of Yu Shan Entertainment Cooperation Co., Ltd., director and CEO of National Policy Foundation.</p> <p>Mr. Chou has the diverse professional background in electric vehicle, smart city, corporate operating leadership, government policy and other areas. Without cases mentioned in various clauses of Article 30 of Company Law.</p>	V	V	V	V	V	V	V	V	V	V	V	0
<p>Ho Yuan International Investment Co., Ltd. Representative: Pen-Ching Cheng</p>	<p>With Master of Public Administration from National Chengchi University, Mr. Cheng has over 30 years work experience. He once served as commissioner, Department of Personnel, Taipei City Government (retired in 2021) , secretary to director and director of Directorate-General of Personnel Administration, Executive Yuan and director of Shin Shin Natural Gas Co., Ltd. (2012-2015). Now, he is supervisor of PJ Asset Management Co.</p> <p>Mr. Cheng excels in organizational portfolio, government policy, ESG and other areas. Without cases mentioned in various clauses of Article 30 of Company Law.</p>	V	V	V	V		V	V	V	V	V		0

Criteria	Professional Qualification and Experience	Independence Criteria(Note1)											Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		1	2	3	4	5	6	7	8	9	10	11	
Yinge Int. Inv. Co., Ltd Representative: Li-Chong Huang	With the Master of Science in IT and manufacturing from University Warwick, he has over 20 years of work experience. He once worked with HP, China InfoSystems Architect IV and IBM, GBS, Taiwan Business Consultant. He served as special assistant for president office at TECO Electric & Machinery Co., Ltd. from 2010. Now he is chairman of Ying Yi International Investment Co., Ltd. and director of Da Hong Machinery Co., Ltd. Mr. Huang has experience in electric vehicle, smart automation, smart city, new energy, ESG and so on. Without cases mentioned in various clauses of Article 30 of Company Law.		V	V	V	V	V	V	V	V	V		0
Creative Sensor Inc. Representative: Johnson Hou	Mr. Hou holds Bachelor of Science in engineering biomedical informatics from Stanford University, Master of Science in electrical engineering from Stanford University and PhD in electrical engineering and computer science, from Massachusetts Institute of Technology. Mr. Hou has over ten years of work experience. He served as manager at Industrial Research Technology Institute of Taiwan and VP of Universal Cement Corporation (2008). Now, he acts as director and president of Universal Cement Corporation and director of Tainan Spinning Corporation. He is specialized in innovative research and development, intelligent automation, corporate operating leadership and so on. Without cases mentioned in various clauses of Article 30 of Company Law.	V	V	V	V	V	V	V	V	V	V		0
Song-Ren Fang  Committee members	Mr. Fang graduated from the department of physics, National Central University and then obtained PhD of Material Science and Engineering from Stanford University, US. Mr. Fang has more than 25 years of work experience. He joined the R&D department of UMC and held the positions in 1999-2006, such as director of Client Engineering Department, director of New Business Development Group and Customer Engineering at UMC Taiwan and cooperate VP of UMC USA. Now, he is appointed as chairman of Darwin Venture Management, director of Koryo Electronic Co Ltd. He has experience in semi-conductor industry, venture management and corporate operating leadership. Without cases mentioned in various clauses of Article 30 of Company Law.	V	V	V	V	V	V	V	V	V	V	V	1

Criteria		Professional Qualification and Experience	Independence Criteria(Note1)											Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Name			1	2	3	4	5	6	7	8	9	10	11	
Wei-Chi Liu		Mr. Liu has Bachelor of Business Administration from National Cheng Kung University, Master and PhD of Business Administration from Northwestern University, US.	V	V	V	V	V	V	V	V	V	V	V	2
<div><div>A</div> Convener</div> <div><div>C</div> Committee members</div>		Mr. Liu has over 30 years of experience. He once served as president of Chung Hua University, chairman of International Bills Finance Corp. and chairman of Taiwan High Speed Rail Corp. Now, he is President of Chung Hua University, independent director of Fusheng Precision Company, and independent director of Fusheng Precision Company. He is professionally proficient in financial management, operating strategy, government policy, financial investment, smart city, ESG and other areas. Without cases mentioned in various clauses of Article 30 of Company Law.	The qualifications of the independent directors of the Company meet Article 3 regarding independence regulations of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. I, my spouse and relative within the second degree of kinship do not serve as the director, supervisor or employee of the Company or its affiliated companies. I, my spouse and relative within the second degree of kinship (or under other's name) do not hold any percentage or number of issued shares of the Company; Do not serve as a director, supervisor or employee of the Company that has a special relationship with the Company; Do not provide commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years.											
Hsieh-Hsing Huang		After graduated from Department of Economics, National Chengchi University, Mr. Huang obtained Master of Laws Program for Executive from National Chengchi University and Master of Business Management from National Sun Yat-sen University.	V	V	V	V	V	V	V	V	V	V	V	1
<div><div>A</div> Committee members</div> <div><div>C</div> Committee members</div> <div><div>G</div> Committee members</div>		Mr. Huang has over 30 years of work experience as a certified CPA. He once served as chairman of the New Taipei City Tax Agent Association (2010-2012), director of CPA Associations R.O.C. (Taiwan) (2019-2021) and supervisor of Taiyen Biotech Co., Ltd. (2007). Now, he serves as chairman of Chungsun Prime Certified Public Accountants (founder) and independent director of China Airlines. He has professional background in electric vehicle, land development, corporate operating leadership, government strategy, ESG, accounting and other areas. Without cases mentioned in various clauses of Article 30 of Company Law.	The qualifications of the independent directors of the Company meet Article 3 regarding independence regulations of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. I, my spouse and relative within the second degree of kinship do not serve as the director, supervisor or employee of the Company or its affiliated companies. I, my spouse and relative within the second degree of kinship (or under other's name) do not hold any percentage or number of issued shares of the Company; Do not serve as a director, supervisor or employee of the Company that has a special relationship with the Company; Do not provide commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years.											

Criteria	Professional Qualification and Experience	Independence Criteria(Note1)											Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		1	2	3	4	5	6	7	8	9	10	11	
Name													
Li-Chen Lin <input checked="" type="checkbox"/> Convener <input checked="" type="checkbox"/> Committee members <input checked="" type="checkbox"/> Committee members <input checked="" type="checkbox"/> Committee members	Graduated from Bachelor of Law from National Taipei University, Ms. Lin obtained Master of Business Administration from Tulane University. Ms. Lin has over 30 years of work experience and lawyer certificate. She once was international partner of Jones, Day, Reavis & Pogue, independent director of Cheng Uei Precision Industry Co., Ltd. (2011-2014) and independent director of Super Dragon Technology Co., Ltd. (2010-2012). Now, she is director of PCL at TransAsia Law Offices and chairman of Homenema Technology Incorporation. She has professional background in intelligent automation, smart city, new energy, land development, corporate operating leadership, EGS, law and other areas. Without cases mentioned in various clauses of Article 30 of Company Law.	V	V	V	V	V	V	V	V	V	V	V	0
Shiang-Chung Chen <input checked="" type="checkbox"/> Committee Convener <input checked="" type="checkbox"/> Committee members <input checked="" type="checkbox"/> Committee members	Graduated from Department of Industrial Engineering, Purdue University, Mr. Chen has over 25 years of work experience. He once acted as director of Taipei Independent Director Association, director of the Institute for National Policy Research and Vice President of Criminal Investigation and Prevention Association of the Republic of China. Now he is chairman of Mercuries Data Systems Ltd and independent director of Walsin Lihwa Corporation. Mr. Chen has professional background in intelligent automation, new energy, corporate operating leadership, ESG and other areas. Without cases mentioned in various clauses of Article 30 of Company Law.	V	V	V	V	V	V	V	V	V	V	V	1

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 a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

Note 2: Functional Committees : ☒ Audit Committee ☐ Compensation Committee ☐ Corporate Governance and Sustainability Committee ☐ Research & Innovation Committee

Diversification and Independence of Board of Directors

Diversification of Board:

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:

Basic condition: gender, age, nationality, race and culture, etc.;

Professional knowledge and skill: professional background (such as law, accounting, industry, finance, marketing and technology), professional skill and industrial experience.

The Company select 11 directors (including 4 independent directors) at 2021 Shareholders' Meetings. The members of the board of directors are all outstanding figures in industry and academia, boasting mutually complemented industrial experience, as well as expertise in finance, economics, accounting and law, meeting the diversified board management goals (See Note 1: Implement the policy of diversification in the board).

Management targets:

- (1). At least 1 female director of the board members;
- (2). More than one-third of the board seats are independent directors;
- (3). Directors concurrently act as managerial officers shall not be more than one-third of the board seats;
- (4). No more than two directors have a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

Target achievements:

- (1). The board includes 2 female directors, increased from 6.67% to 18.18%; **Achieved**
- (2). The proportion of independent directors increases from 20% to 36.36% ; **Achieved**
- (3). No directors concurrently held the managerial officer position; **Achieved**
- (4). No directors have a marital relationship, or a relative within the second degree of kinship to any other director of the Company. **Achieved**

Independence of the board

The board of the Company is independent:

- (1) 11 seats include 4 independent directors (36.36%). 6 directors meet all independence requirements (54.55%).
- (2) The tenure of the independent directors shall not exceed a cumulative term limit of three years and no independent director may concurrently serve as an independent director of more than three other public companies. Three independent directors have a cumulative term under 3 years, and 1 independent director has a cumulative term of 3-6 years.
- (3) The directors have no spouse and second degree of kinship who service as directors (no circumstance that describes in Article 26-3-3 and Article 26-3-4 of Securities and Exchange Act).
- (4) The directors exercise a high degree of self-discipline. In case involving interests of their or of the legal entities that they represent, they shall explain key contents of the involvement at the board meeting. They shall voluntarily abstain from discussion and voting as well as evade during discussion and voting, for themselves or proxy for another director, on a proposal submitted to the board that risks the involvement of the director's own interest to the detriment of the interest of the Company (please refer to Page 11 The implementation of Directors' avoidance of motions in conflict of interest).

Note 1: Implement the policy of diversification in the board

Diversification Core items	Basic conditions and value			Date of first appointment (MM/DD/YYYY)	Tenure of independent directors	Professional background/Experience					Knowledge and Skill							
	Sex	Age	Nationality			Electric vehicles	Intelligent automation	Intelligent city	New energy	Land development	Corporate operating leadership	Government strategy	International Sales and marketing	Financial management	E S G	Supervision	Accounting	Legal
Name																		
Chwen-Jy Chiu	F	61-70	ROC	950615		•	•	•	•		•	•			•			
Cheng-Tsung Huang	M	61-70	ROC	800508		•	•	•	•	•	•		•		•			
Show-Shoun Chou	M	51-60	ROC	1100723		•		•			•	•						
Pen-Ching Cheng	M	61-70	ROC	1100723								•			•			
Li-Chong Huang	M	41-50	ROC	1100101		•	•	•	•						•			
Chih-Sheng Hou	M	31-40	ROC	1110101		•	•				•							
Song-Ren Fang	M	51-60	ROC	1100723							•							
Wei-Chi Liu (independent director)	M	61-70	ROC	1070615	3-6 years	•	•	•	•	•	•	•	•	•	•	•		
Hsieh-Hsing Huang(independent director)	M	51-60	ROC	1100723	<3 years	•				•	•	•			•	•	•	
Li-Chen Lin (independent director)	F	61-70	ROC	1100723	<3 years		•	•	•	•	•				•	•		•
Shiang-Chung Chen (independent director)	M	51-60	ROC	1100723	<3 years				•		•				•	•		

3.2.2 Management Team

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			Note
				Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	ROC	Jau-Tsu 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	-	-	-	Note 1
Business Group 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	-	-	-	
Business Group 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.	-	-	-	
Business Group 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	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.	-	-	-	
General Director of Teco Group Research Institute	ROC	Kun-Yao Ho	2021.8.6	0	0.00%	0	0.00%	0	-	PhD of advanced materials science, the University of Tokyo	-	-	-	-	
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	-	-	-	-	
Accounting Chief	ROC	Tommy Wu	2020.11.13	0	0.00%	0	0.00%	0	-	Master of accounting, National Chengchi University	Supervisor of Tong-An Assets Management & Development Co., Ltd.	-	-	-	

Note 1 : Thomas Fann will take over as President on April 7 2022 .

Note 2 : Hong-Hsiang Lin retired on July 17 2021; Kuo-Min Chen resigned on July 30 2021; Hank Horng's position was adjusted on November 5 2021.

3.2.3 Remuneration of Directors, President and Vice President

Remuneration of Directors (Including Independent Directors)

December 31, 2021 / Unit: NT\$ thousands

term	Code	Tenure in 2021	Title	Name	Remuneration								Relevant remuneration received by directors who are also employees										Compensation paid to directors from an invested company other than the company's subsidiary		
					Base Compensation(A)		Severance Pay(B)		Bonus to Directors(C)		Allowances(D)		Ratio of total remuneration (A+B+C+D) to net income(%)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)					Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)	
					The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	0The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements			The company	Companies in the consolidated financial statements
26 th	1	2021/01/01~2021/12/31	Chairman	Tung Kuang Investment Co., Ltd. Representative : Chwen-Jy Chiu	-	-	-	-	Total 85,249	Total 85,355	Total 733	Total 1,043	1.72%	1.72%	Total 10,708	Total 11,408	Total 108	Total 108	-	-	-	-	1.93%	1.95%	Total 0
	2	2021/10/01~2021/12/31	Director	Tong Ho Global Investment Co., Ltd Representative : Cheng-Tsung Huang																					
	3	2021/07/23~2021/09/30	Director	Tong Ho Global Investment Co., Ltd Representative : Mao-Hsiung Huang																					
	4	2021/01/01~2021/12/31	(Managing &) Independent Director	Wei-Chi Liu																					
	5	2021/07/23~2021/12/31	Independent Director	Hsieh-Hsing Huang																					
	6	2021/07/23~2021/12/31	Independent Director	Li-Chen Lin																					
	7	2021/07/23~2021/12/31	Independent Director	Shiang-Chung Chen																					
	8	2021/01/01~2021/12/31	Director	Yinge Int. Inv. Co.,Ltd Representative : Li-Chong Huang																					
	9	2021/07/23~2021/12/31	Director	Ho Yuan International Investment Co., Ltd. Representative: Pen-Ching Cheng																					
	10	2021/07/23~2021/12/31	Director	Song-Ren Fang																					
	11	2021/07/23~2021/12/31	Director	Show-Shoun Chou																					
	12	2021/07/23~2021/12/30	Director	Creative Sensor Inc. Representative: Yu-Ren Huang																					
	13	2021/12/30~2021/12/31	Director	Creative Sensor Inc. Representative: Johnson Hou																					

term	Code	Tenure in 2021	Title	Name	Remuneration								Relevant remuneration received by directors who are also employees										Compensation paid to directors from an invested company other than the company's subsidiary		
					Base Compensation(A)		Severance Pay(B)		Bonus to Directors(C)		Allowances(D)		Ratio of total remuneration (A+B+C+D) to net income(%)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)					Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)	
					The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements			The company	Companies in the consolidated financial statements
25 th	14	2021/01/01~2021/07/22	Managing Director	Tong Ho Global Investment Co., Ltd Representative : Chao-Kai, Liu																					
	15	2021/01/01~2021/07/22	Independent Director	Jin-Fu, Chang																					
	16	2021/01/01~2021/07/22	Independent Director	Ting-Wong, Cheng																					
	17	2021/01/01~2021/07/22	Managing Director	Cheng-Tsung, Huang																					
	18	2021/01/01~2021/07/22	Director	Creative Sensor Inc. Representative: Yu-Ren, Huang																					
	19	2021/01/01~2021/07/22	Director	Mao-Hsiung Huang																					
	20	2021/01/01~2021/07/22	Director	Hung Shun Investment Co., Ltd Representative: Tzu-Yi, Kuo																					
	21	2021/01/01~2021/07/22	Director	Tong-An Investment Co., Ltd. Representative : Shang-Wei, Kao																					
	22	2021/01/01~2021/07/22	Director	Kuang Yuan Industrial Co., Ltd. Representative: Shih-Chien, Yang																					
	23	2021/01/01~2021/07/22	Director	Tong Kuang Investment Co,Ltd Representative: Hong-Hsiang, Lin																					
	24	2021/01/01~2021/07/22	Director	Yubantec & Co., Ltd. Representative:Tung-Hai, Kao																					

Note 1: As there was no retirement in 2021, fund in the column is either provision or appropriation for retirement payment and is treated as expenses.

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	3.13.14.18	3.13.14.18	3.13.14.18	3.13.14.18
NT\$1,000,000 ~ Under NT\$2,000,000	5.6.7.15.16	5.6.7.15.16	5.6.7.15.16	5.6.7.15.16
NT\$2,000,000 ~ Under NT\$3,500,000	4	4	4	4
NT\$3,500,000 ~ Under NT\$5,000,000	9.10.11.19.20.21.22. 23.24	9.10.11.19.20.21.22. 23.24	9.10.11.20.21.22.23. 24	9.10.11.20.21.22.23. 24
NT\$5,000,000 ~ Under NT\$10,000,000	2.8.12.17	2.8.12.17	2.8.12.17	2.8.12.17
NT\$10,000,000 ~ Under NT\$15,000,000	1	1	1.19	1
NT\$15,000,000 ~ Under NT\$30,000,000				19
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	24	24	24	24

Note : Shown by code of Directors in the previous table

Compensation of President and Vice President

December 31, 2021/ Unit: NTS thousands

December 31, 2021 / Unit: NT\$ thousand

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				
									Cash	Stock	Cash	Stock			
1	Chairman	Chwen-Jy, Chiu	Total 21,959	Total 21,959	Total 1,280	Total 1,280	Total 31,456	Total 32,581	Total 28,595	-	Total 28,595	-	1.66%	1.68%	125
2	President	Jau-Tsu, Lien													
3	Business Group President	Sung-Pin, Chang													
4	Business Group President	Chi-Tseng, Peng													
5	Business Group President	Fei-Yuan, Kao													
6	Assistant Vice President	Sheng-chyuan, Lin													
7	General Director	Kun-Yao Ho													
8	Corporate Governance Officer	Shih-Hsiung, Chien													
9	Executive Consultant	Hong-Hsiang, Lin													
10	Assistant Vice President	Kuo-Min, Chen													
11	Assistant Vice President	Hank, Horng													

Note : Hong-Hsiang Lin retired on July 17 2021; Kuo-Min Chen resigned on July 30 2021; Hank Horng's position was adjusted on November 5 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	9.10.11	9.10.11
NT\$3,500,000 ~ under NT\$5,000,000	7.8	7.8
NT\$5,000,000 ~ under NT\$10,000,000	3.4.5.6	3.4.5.6
NT\$10,000,000 ~ under NT\$15,000,000		
NT\$15,000,000 ~ under NT\$30,000,000	1.2	1.2
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

2021.12.31/ 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 28,595	Total 28,595	0.57%
	President	Jau-Tsu, Lien				
	Business Group President	Sung-Pin, Chang				
	Business Group President	Chi-Tseng, Peng				
	Business Group President	Fei-Yuan, Kao				
	Assistant Vice President	Sheng-chyuan, Lin				
	General Director	Kun-Yao, Ho				
	Corporate Governance Officer	Shih-Hsiung, Chien				
	Executive Consultant	Hong-Hsiang, Lin				
	Assistant Vice President	Kuo-Min, Chen				
	Assistant Vice President	Hank, Horng				

Note : Hong-Hsiang Lin retired on July 17 2021; Kuo-Min Chen resigned on July 30 2021; Hank Horng's position was adjusted on November 5 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 (%)
2021	182,329	3.64%
2020	216,671	6.17%

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 the company's overall business performance into account, achievement of an employee's personal performance goal, and his/her contribution to the corporate performance, in order to reach reasonable levels of compensation. Year-end bonus is paid out according to a fixed share of net profits, which can only be changed by a resolution of the board of directors.

According to Regulations Governing the Board Performance Evaluation, the performance of the board is evaluated at the end of the fiscal year. The self-evaluation items for directors include: 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.

The senior managers conduct performance evaluation at the end of each quarter based on the special key performance indicators (KPI) of the panel industry. The KPI-based assessed items include: value-added operation, accelerated operation, deepened management and forward-looking layout. 60% of the assessed items are related to financial indicators (e.g. operating income, operating profit, current profit and loss, total asset turnover, ROA, ROIC...); 40% of the assessed items are related to long-term planning and executive status.

Long-term performance reward mechanism: The Company has implemented the TECO Trust since 2020. Part of employee remuneration above the managerial officers will adopt the shareholding trust method to hold the shares of TECO, and the shares can be retrieved after two years. Adopted such mechanism, the TECO will strengthen the connection between senior managers' rewards and long-term operating income, to improve cohesion and sense of ownership and share the Company's operating achievements.

Year-end bonus is paid out according to a fixed share of net profits, which can only be changed by a resolution of the board of directors.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 6 meetings of the 25th board of directors were held in 2021, director attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Chairman	Tung Kuang Investment Co., Ltd. Representative : Chwen-Jy, Chiu	6	0	100 %	Should attend 6 times
Managing Director	Tong Ho Global Investment Co., Ltd Representative : Chao-Kai, Liu	6	0	100%	Retird on July 22 2021 Should attend 6 times
Managing Director	Cheng-Tsung, Huang	6	0	100%	Retird on July 22 2021 Should attend 6 times
Managing Director	Creative Sensor Inc. Representative: Yu-Ren, Huang	1	0	100%	Resigned on March 18 2021 Should attend 1 time
Managing & Independent Director	Wei-Chi, Liu	6	0	100%	Should attend 6 times
Independent Director	Jin-Fu, Chang	6	0	100%	Retird on July 22 2021 Should attend 6 times
Independent Director	Ting-Wong, Cheng	6	0	100%	Retird on July 22 2021 Should attend 6 times
Director	Mao-Hsiung, Huang	6	0	100%	Retird on July 22 2021 Should attend 6 times
Director	Yinge Int. Inv. Co.,Ltd Representative : Li-Chong, Huang	6	0	100%	Should attend 6 times
Director	Hung Shun Investment Co., Ltd Representative: Tzu-Yi, Kuo	6	0	100%	Retird on July 22 2021 Should attend 6 times
Director	Tong-An Investment Co., Ltd. Representative : Shang-Wei, Kao	6	0	100%	Retird on July 22 2021 Should attend 6 times
Director	Kuang Yuan Industrial Co., Ltd. Representative: Shih- Chien, Yang	5	1	83%	Retird on July 22 2021 Should attend 6 times
Director	Tong Kuang Investment Co.,Ltd Representative: Hong-Hsiang, Lin	6	0	100%	Retird on July 22 2021 Should attend 6 times
Director	Yubantec & Co., Ltd. Representative:Tung-Hai, Kao	6	0	100%	Retird on July 22 2021 Should attend 6 times

A total of 4 meetings of the 26th board of directors were held in 2021, 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	4	0	100 %	re-elected on July 23 2021 Should attend 4 times
Director	Tong Ho Global Investment Co., Ltd Representative : Mao-Hsiung Huang	2	0	100%	The representative. changed to Cheng-Tsung Huang on October 1st 2021 Should attend 4 times
	Representative : Cheng-Tsung Huang	2	0	100%	
Director	Show-Shoun Chou	4	0	100%	elected on July 23 2021 Should attend 4 times
Director	Ho Yuan International Investment Co., Ltd.	4	0	100%	elected on July 23 2021 Should attend 4 times

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
	Representative: Pen-Ching Cheng				
Director	Yingte Int. Inv. Co.,Ltd Representative : Li-Chong Huang	4	0	100%	re-elected on July 23 2021 Should attend 4 times
Director	Creative Sensor Inc. Representative: Yu-Ren Huang	4	0	100%	elected on July 23 2021 Should attend 4 times The representative. changed to Johnson Hou on Decemner 30 2021
Director	Song-Ren Fang	4	0	100%	elected on July 23 2021 Should attend 4 times
Independent Director	Wei-Chi Liu	4	0	100%	elected on July 23 2021 Should attend 4 times
Independent Director	Hsieh-Hsing Huang	4	0	100%	elected on July 23 2021 Should attend 4 times
Independent Director	Li-Chen Lin	4	0	100%	elected on July 23 2021 Should attend 4 times
Independent Director	Shiang-Chung Chen	4	0	100%	elected on July 23 2021 Should attend 4 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.

(I) Items listed in Article 14-3 of Securities and Exchange Act: Please refer to the page about Audit Committee. All proposals were resolved by all independent directors.

(II) Other matters involving objections or expressed reservations by Independent Directors that were recorded or stated in writing that require a resolution by the Board of Directors: None.

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

(1) 25-24 meeting of the board (March 23, 2021)

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

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

Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy Chiu is the director of An-Tai International Investment Co., Ltd., 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 Motovario S.p.A, 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 Motovario S.p.A, abstained from the discussion and voting for the case based upon interest conflict.

Resolution: The case was approved by a meeting of the board of directors, presided over by managing & independent director, Wei-Chi Liu, who consulted other attending directors, none whom objected the case, except for abstained by chairman Chwen-Jy Chiu, executive director Chao-Kai Liu, director Mao-Hsiung Huang and director Hong-Hsiang Lin due to conflict of interests.

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

Contents of the case: Provision of loans among the Company and affiliates.

Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy Chiu is the chairman of TWMC, TWMM, Asia Innovative Technology (Xiamen) Co., Ltd., Motovario S.p.A, director of UVG Investment Co.Ltd., director of WUXI TECO Precision Industry Co., Ltd, abstained from the discussion and voting for the case based

upon interest conflict, and presided over by managing & independent director, Wei-Chi Liu. Chao-Kai Liu is the director of TWMC, Asia Innovative Technology (Xiamen) Co., Ltd., and Motovario S.p.A, Mao-Hsiung Huang is chairman of TWMC, An-Tai International Investment Co., Ltd., Hong-Hsiang Lin is director of Motovario S.p.A, abstained from the discussion and voting for the case based upon interest conflict.

Resolution: The case was approved by a meeting of the board of directors, presided over by managing & independent director, Wei-Chi Liu, who consulted other attending directors, none whom objected the case, except for abstained by chairman Chwen-Jy Chiu, executive director Chao-Kai Liu, director Mao-Hsiung Huang and director Hong-Hsiang Lin due to conflict of interests.

(2) 26-2 meeting of the board (August 6, 2021)

Director's name: Wei-Chi, Liu (independent director), Shiang-Chung Chen (director), Pen-Ching Cheng (director)

Contents of the case: The appointment of the 5th Compensation Committee members.

Reason for avoidance of conflict of interest and participation in voting: Wei-Chi Liu (independent director), Shiang-Chung Chen (independent director), Pen-Ching Cheng (director) are candidates for the Compensation Committee members and abstained from the discussion and voting based on interest conflict.

Resolution: Except for Shiang-Chung Chen (independent director), Shiang-Chung Chen (independent director) and Pen-Ching Cheng (director) abstained based on interest conflict, adopted upon the consent of other directors present.

Director's name: Sophia Chiu (Chairman), Hsieh-Hsing Huang(independent director), Li-Chen Lin (independent director), Shiang-Chung Chen (independent director), Mao-Hsiung Huang (director), Show-Shoun Chou (director)

Contents of the case: The appointment of the 2nd Corporate Governance and Sustainability Committee members.

Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy Chiu (chairman), Hsieh-Hsing Huang (independent director), Li-Chen Lin (independent director), Shiang-Chung Chen (independent director), Mao-Hsiung Huang (director) and Show-Shoun Chou (director) are candidates for the corporate governance and sustainability committee. They are abstained from discussion and voting based upon interest conflict. Wei-Chi Liu (independent director) presided over the meeting.

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 of whom objected the case, except for Chwen-Jy Chiu (chairman), Hsieh-Hsing Huang (independent director), Li-Chen Lin (independent director), Shiang-Chung Chen (independent director), Mao-Hsiung Huang (director) and Show-Shoun Chou (director) abstained based on interest conflict.

Director's name: Chwen-Jy Chiu (Chairman), Show-Shoun Chou (director), Yu-Ren Huang (director), Li-Chen Lin (director), Song-Ren Fang (director)

Contents of the case: The appointment of the 2nd R&D and Innovation Committee members.

Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy Chiu (chairman), Show-Shoun Chou (director), Yu-Ren Huang (director), Li-Chen Lin (independent director) were candidates for the R&D and Innovation Committee. They are abstained from discussion and voting based upon interest conflict. Wei-Chi Liu (independent director) presided over the meeting.

Resolution: Upon recommendation of Yu-Ren Huang (director), Song-Ren Fang (director) added to the committee. Thus, Song-Ren Fang (director) was abstained based upon interest conflict, acting chairman Wei-Chi Liu (independent director) consulted other directors and approved, none of whom are objected.

Director's name: Yu-Ren Huang (director), Mao-Hsiung Huang (director), Shiang-Chung Chen (independent director), Song-Ren Fang (director)

Contents of the case: Shareholder special motion at shareholders' meeting on July 23, 2021.

Reason for avoidance of conflict of interest and participation in voting: Yu-Ren Huang (director) serves as chairman of Creative Sensor Inc. and TECO Image System; Mao-Hsiung Huang (director) has the second degree of kinship with Yu-Ren Huang (director); Shiang-Chung Chen (director) is an independent director of TECO Image System; Song-Ren Fang (director) is a director of KORYO Co., Ltd., while KORYO Co., Ltd. is a corporate director of TECO Image System. The above directors were abstained from discussion and voting for this case based upon interest conflict.

Resolution: Except for Yu-Ren Huang (director), Mao-Hsiung Huang (director), Shiang-Chung Chen (independent director) and Song-Ren Fang (director) abstained based upon interest conflict, after the chairman consulting other present directors, the case was approved with the consent of present directors, excluding Li-Chong Huang (director)

who raised the objection.

(3) 26-3 meeting of the board (November 5, 2021)

Director's name: Chwen-Jy Chiu (Chairman)

Contents of the case: To cooperate the subsidiary TECO Electro Devices Co., Ltd. to be listed on the TPex, plan to transfer 517,000 shares to the consulting broker MasterLink Securities.

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

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, except for abstained by Chwen-Jy Chiu due to conflict of interests.

(4) 26-4 meeting of the board (December 20, 2021)

Director's name: Chwen-Jy Chiu (Chairman)

Contents of the case: Plant to provide endorsement guarantee for the affiliated company due to business needs in 2022.

Reason for avoidance of conflict of interest and participation in voting: Chwen-Jy Chiu is the president of Sankyo Co, Ltd and 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.

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 of whom objected the case.

Director's name: Chwen-Jy Chiu (Chairman)

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 Motovario S.p.A. and TWMC abstained from the discussion and voting for the case based upon interest conflict, and presided over by managing & independent director, Wei-Chi Liu.

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 of whom objected the case.

Director's name: Li-Chen Lin (independent director), Hsieh-Hsing Huang (independent director)

Contents of the case: The addition of two members to the Compensation Committee.

Reason for avoidance of conflict of interest and participation in voting: Li-Chen, Lin (independent director), Hsieh-Hsing Huang (independent director) are candidates for the Compensation Committee members and abstained from the discussion and voting based on interest conflict.

Resolution: Except for Li-Chen Lin (independent director) and Hsieh-Hsing Huang (independent director) abstained based on interest conflict, the case was approved after the chairman consulted all present members, none of whom objected the case.

(5) Strengthen the function of the board

To improve directors' professional knowledge and legal capacity, and help them to effectively operate the company, the Secretary Office organized the education courses on Nov 5, 2021 and Dec 20, 2021. In addition, according to the Board Performance Evaluation Report issued by Taiwan Corporate Governance Association on Jan 7, 2021, the following improvements are executed:

- i. Rating bases are added to Self-evaluation Questionnaire of Board Member Assessment in 2021 for reference.
- ii. Newly-appointed Director Orientation held on August 4, 2021. The heads of business groups reported their respective organizational structure and business responsibilities, as well as the development plan for the next three years to newly-appointed executives. It is proposed to establish the directors' manual and formulate the aforementioned activities as internal norms to strengthen the company's related systems of corporate governance.

(6) Strengthen the communication with investors

The investors' conference has been held quarterly since 2020 to regularly update corporate financial and business information and provide an opportunity for public investors to directly communicate with the operating team. To

equally treat shareholders, the audio/video files are disclosed to ensure that public investors to attend the meeting have the same information.

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 2021:

1. Review financial reports

The company's board of directors submitted the 2020 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 21st meeting of the 3rd Audit Committee (2021.3.16), were submitted to the 24th meeting of the 25th Board of Directors (2021.3.23) for resolution and were acknowledged by general shareholders meeting 2021 (2021.7.23).

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 2020 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 31 level units. The internal control self-assessment operation was completed at 2021.2.8. 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 2021.2.24. 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 21st meeting of the 3rd Audit Committee (2021.3.16), and submitted to the Resolution of the 24th meeting of the 25th Board of Directors (2021.3.23), the "Internal Control System Statement" for 2020 was issued.

A total of 2 meetings of the 3rd Audit Committee were held in 2021, and the Audit Committee attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Convener & Chairman	Ting-Wong Cheng	2	0	100%	Retird on July 22 2021 Should attend 2 times
Member	Wei-Chi Liu	2	0	100 %	Should attend 2 times
Member	Jin-Fu Chang	2	0	100%	Retird on July 22 2021 Should attend 2 times

A total of 4 meetings of the 4th Audit Committee were held in 2021, and the Audit Committee attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Convener & Chairman	Wei-Chi Liu	4	0	100%	re-elected on July 23 2021 Should attend 4 times
Member	Hsieh-Hsing Huang	4	0	100 %	elected on July 23 2021 Should attend 4 times
Member	Li-Chen Lin	4	0	100%	elected on July 23 2021 Should attend 4 times
Member	Shiang-Chung Chen	4	0	100%	elected on July 23 2021 Should attend 4 times
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
25-24 Board Meeting (March 23, 2021)	Discussion on business report, parent company only financial statements and consolidated financial statements of 2020.			√	
	Discussion on Profit Distribution of 2020.			√	
	Internal audit report and self-assessment of internal control of 2020			√	
	Discussion on renewal of credit line of financial Institutions in 2021			√	
	Discussion on provision of endorsement and guarantee for the affiliates and overseas subsidiaries			√	
	Provision of loans among the Company and affiliates.			√	
	Plan to revise some terms of the Financial Report Draft Procedure and Management of the Company			√	
	The Resolution of Audit Committee (March 16, 2021): Discussion on Profit Distribution of 2020 - After the chairman consulted all present members, the plan 1 is preferred given the capital needs and profit ratio and submitted to the board for resolution. For the remaining cases, passed by all attendee committee members				
	How the company handle opinion of Audit Committee: After this case has been consulted all present directors by the chairman, the resolution passed the cash dividend to be distributed in Plan 2 (NT\$1.15). The remaining cases were approved by all the directors present.				
25-27 Board Meeting (May 7, 2021)	Change of the Corporation's audit executives.			√	
	The Resolution of Audit Committee (May 3, 2021): Change of corporate audit executives -- this case is submitted to the board for resolution after the chairman consulted all present members without objection raised.				
	How the company handle opinion of Audit Committee: Passed by all attendee directors				
26-2 Board Meeting (August 6, 2021)	Consolidated financial statements for the first half of the year 2021			√	
	Extended the contract with Hua Cheng Fund PVG GCN.			√	
	The Resolution of Audit Committee (August 7, 2021): Passed by all committee members				
	How the company handle opinion of Audit Committee: Discussion on extend the contract with Hua Cheng Fund PVG GCN -- Approved after the chairman consulted with all present directors.				

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
26-3 Board of directors (Nov 5, 2021)	Discussion on transfer of 517,000 shares to the consulting broker MasterLink Securities To cooperate the subsidiary TECO Electro Devices Co., Ltd. to be listed on the TPEx.	√	
	Discussion on investing own fund NTD100 m (tax excluded) to set the shareholding company for a solar farm	√	
	Discussion on the storage AFC by NTD2 million (tax excluded)	√	
	The Resolution of Audit Committee (Nov 9, 2021): Passed by all committee members		
	How the company handle opinion of Audit Committee: Discussion on the storage AFC by NTD2 million (tax excluded)- internal investment is suggested and other related matters approved after the chairman consulted all present directors. The remaining cases were approved by all the directors present.		
26-4 Board of directors (Dec 20, 2021)	Auditing plan for 2022	√	
	Plan to supply affiliate with endorsement guarantee.	√	
	Provision of loans among the Company and affiliates.	√	
	Discussion on independence and adequacy of CPA	√	
	Discussion on remuneration of CPA.	√	
	The Resolution of Audit Committee (December 13, 2021): Passed by all committee members		
	How the company handle opinion of Audit Committee: Discussion on CPA appointment and remuneration - Approved after the chairman consulted all present directors. However, the management office is authorized to ask for discount. The remaining cases were approved by all the directors present.		

II. The avoidance of Independent Director due to interest conflict: None.

III. The communication between independent director, internal audit chief and CPA

(I) 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.

1. 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.
2. 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.

(II) Independent Director and internal audit chief have good communication, and independent directors have no suggestions. Communication issues in 2021 are showed as follows.

Audit Committee	Communication Item	Communication Result
3-21 (March 16, 2021)	Report for Internal Audit	Notification. No other suggestions.
	2020 Self Evaluation on Internal Audit (Announcement of Internal Control)	Approval after the chairman consulted all attending member, then submitted to the board of directors for resolution
3-22 (May 3, 2021)	Report for 2021 1Q Internal Audit	Notification. No other suggestions.
4-2 (August 5, 2021)	Report for 2021 2Q Internal Audit	Notification. No other suggestions.
4-3 (Nov 1, 2021)	Additional instruction on the 4-2 Audit Committee matters: Auditing report on overseas subsidiaries.	Notification. No other suggestions.
4-4 (Dec 13, 2021)	Report for 2021 3Q Internal Audit. (Independent directors talk with internal auditor separately)	Notification. No other suggestions.
	Audit Project for 2022. (Independent directors talk with internal auditor separately)	The case was approved by all present members after the chairman consulted all attending member, none of whom objected the case, then submitted to the board of directors for resolution.

(III) Independent Director and CPA have good communication, and independent directors have no suggestions. Summary of communication issues in 2021 are showed as follows.

Audit Committee	Communication Item	Communication Result
3-21 (March 16, 2021)	Report for 2020 consolidate and parent company only financial statements	Approval after the chairman consulted all attending member, then submitted to the board of directors for resolution
	The impact of COVID, inspection scope, findings, the impact of related regulations on other matters	Notification. No other suggestions.
4-2 (August 5, 2021)	Report for 2021 2Q consolidate financial statements	Approval after the chairman consulted all attending member, then submitted to the board of directors
	The impact of COVID on financial report disclosure, auditing scope, findings and other matters	Notification. No other suggestions.
Hsieh-Hsing Huang Independent Director (August 17, 2021)	Capital use, investment framework adjustment and financial report disclosure transparency. (Independent directors talk with CAP separately)	Notification. No other suggestions.

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

Evaluation items	Implementation Status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summarized Explanation	
I. 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 Corporate Government Best Practice Principles was approved at the 13th meeting of the 21st Board of Directors (March 25, 2008) in accordance with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. These Principles have been revised eight times from 2013 to 2021 in response to corporate development trend and the latest development of social and international issues concerned. These Principles have been announced on TWSE MOPS and the Company's website.	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”
II. The company’s shareholding structure and shareholders’ equity (I) Whether the company has formulated and implemented internal procedure for handling suggestions, questions, disputes, and litigation of shareholders. (II) Whether the company has got hold of the list of major shareholders and their ultimate controllers. (III) Whether the company has established and implemented risk-management and firewall mechanism pertaining to affiliates. (IV) Whether the company has formulated internal norms forbidding the company’s insiders to take advantage of unpublicized information in trading in securities.	V		(I) The company has installed stock-affairs unit, which handles shareholders’ suggestions or disputes. (II) The company has got hold of the list of major shareholders and their ultimate controllers, which is updated regularly. (III) 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". (IV) 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.	(I) Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”. (II) Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”. (III) Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”. (IV) Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”.
III. Composition and duties of the board of directors (I) Whether the Board of Directors formulate and implement diversified policies and specific management objectives.	V		(I) 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: (1) Basic condition and value: gender, age, nationality, race and culture, etc.; (2) Professional knowledge and skill:	(I) Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”.

Evaluation items	Implementation Status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
(II) Whether the company has installed on its own various functional committees other than the compensations committee and the audit committee?			<p>professional background (such as law, accounting, industry, finance, marketing and technology), professional skill and industrial experience.</p> <p>Management targets: The members of the board of directors include at least one female director; the independent director seats exceed two-third of the board members; 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>Execution: The Company select 11 directors (including 4 independent directors) at 2021 Shareholders' Meetings (July 23, 2021). The members of the board of directors boast mutually complemented industrial experience, as well as expertise in finance, economics, accounting and law. The board of directors includes 2 female directors, and the proportion of female directors has increased from 6.67% to 18.18%; the proportion of independent directors increased from 20% to 36.36%; three independent directors have a tenure of less than 3 years, and one independent director has a tenure of 3 ~ 6 years). The goal of diversified board members has been met. Members of the board actively attended the board meeting, and the actual attendance rate of the 25th board of directors in 2021 was 98.81%; the actual attendance rate of the 26th board of directors was 100%. These board members effectively supervised and understood the implementation of the business plan.</p>	(II) Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”.
(III) 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.			<p>(II) In order to establish a good governance system, rationalize and strengthen management functions, fulfill corporate social responsibilities, and attain sustainable development, the 25th board of directors resolved in its third meeting (on Aug. 13, 2018) to set up "corporate governance and sustainability committee." (See note 1: Corporate Governance and Sustainability Committee)</p> <p>(III) 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" at the 5th meeting of the 24th board of directors on Nov 13, 2015, in line with the stipulation of article 37 of "Corporate Governance Best Practice</p>	(III) Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “.

Evaluation items	Implementation Status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
			<p>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 is hired to evaluate the performance of BOD and issue external evaluation report every three years. On the 20th meeting of 25th board (11.13.2020) 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>The board evaluation team from Taiwan Corporation Governance Association was invited to evaluate the performance of board of directors in 2020 (convener: Chun-Zheng Lin executive member, members include: Cheng-I (executive member), Yi-Fang Cai (team leader of evaluation), Yi-Jing Song (evaluator)) conducted evaluation on Dec 29, 2020, through document review, online self-evaluation questionnaire, field visit and other methods. 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 2005, and has served more than 300 times. 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: (1). The managing director meeting is convened once every 2 months for consultation, communication and discussion in the early stage of the</p>	

Evaluation items	Implementation Status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
			<p>future business plans and major agendas. 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 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>The above 2020 annual board performance evaluation report has been submitted to the 24th meeting of the 25th term board</p>	

Evaluation items	Implementation Status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
(IV) Whether the company has regularly evaluated the independence of certified public accountants?			<p>(2021.3.23) Improvement Plan: 1. Self-evaluation Questionnaire of Board Member Assessment and Self-evaluation Questionnaire of Functional Committee in 2021 has added rating bases. 2. Established the directors’ manual in 2021 and formulate " Orientation for New Director " as internal norms 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. In addition, the secretariat of the board of directors launched 2021 Directors' self-evaluation project via " Self-evaluation Questionnaire of Board Member Assessment ". The self-evaluation items for directors include: 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 secretariat of the board of directors 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. The above 2021 annual board performance evaluation report has been submitted to the 5th meeting of the 26th term board (March 3, 2022)</p> <p>(IV) 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 Yu-Lung Wu and Chien-Hung Chou of PwC Taiwan ,according to the CPA evaluation scale(Note 2), were ascertained their conformance to the company's evaluation</p>	(IV) Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”.

Evaluation items	Implementation Status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
			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 22nd meeting (Dec. 22nd, 2020) and the 26th board of directors at the 4th meeting (Dec. 20, 2021).	
IV. Does the Company have an adequate number of qualified corporate governance personnel and appoint a chief corporate governance officer to handle matters pertaining to corporate governance (including but not limited to provide information required for business execution by Directors and Supervisors, assist Directors and Supervisors with regulatory compliance, handle matters pertaining to board meetings and shareholders' meetings according to laws and regulations, produce minutes of Board meetings and shareholders meetings, etc.)?	V		<p>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 (5.13.2019), 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 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 execution of related corporate governance matters in 2021 have submitted to the 3rd meeting of the 2nd corporate governance and sustainability committee (Jan 17, 2022) and the 6th meeting of the 26th board of directors (March 16, 2022), including:</p> <ol style="list-style-type: none"> (1) The report is showed as following: 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. (2) 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 	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “

Evaluation items	Implementation Status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
			<p>and supervisors.</p> <p>(3) 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.</p> <p>(4) 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 semiannual report, as well as the updating of IFRSs, securities laws/regulations, and tax laws/regulations.</p> <p>(5) 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>(6) 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. Director Shih-Hsiung Chien has completed 15 hours in 2021:</p> <ul style="list-style-type: none"> ● On Jan 5, 2021, Taiwan Sustainable Finance Forum - building a sustainable financial ecosystem (3 hours) ● On Sep 30, 2021, the Board Practice Cases - Simulated Exercise (3 hours) ● On Nov 5, 2021, analysis of asset safety risk trend (3 hours) ● On Nov 15, 2021, the 10th Chinese family 	

Evaluation items	Implementation Status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
			enterprise annual forum (3 hours) ● On Dec 20, 2021, Analysis of the latest international ESG policy and trend (3 hours)	
V. Whether the company has established communications channel for stakeholders (include but not restrict shareholders, employees, customers and suppliers) and dedicated sector for stakeholders on its website, in addition to responding properly to key issues on corporate social responsibility concerned by stakeholders.	V		The company attaches great importance to stakeholders' attention to issues and communication channels. It has smooth communication channels with stakeholders in various fields such as shareholders, employees, customers, suppliers, local communities, NGOs, and government units. Regular / irregularly publish information or communicate directly with stakeholders, respect and maintain their legitimate rights and interests, and implement corporate governance integrity and transparency (See Note 3: Issues which stakeholders focus and communication channel). Set up a corporate social responsibility / TECO sustainable commitment / stakeholder communication area on the company's website, and a dedicated person will respond to important corporate social responsibility issues that stakeholders are concerned about.	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “
VI. Whether the company has entrusted professional stock-affairs agent to handle shareholder' meeting?	V		The company has entrusted a professional stock agency to handle the affairs of the shareholders' meeting. Stock agency: Taishin Securities Co., Ltd. stock agency (Tel: 886-2-2504-8125, Address: B1, No. 96, Sec. 1, Jianguo N. Rd, Zhongshan Dist., Taipei City).	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “
VII. Information disclosure (I) Whether the company has installed website for publication of information on finance, business, and corporate governance? (II) 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)? (III) Does the company release the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation within the prescribed time limit?	V		(I) The company institutes website for disclosing the status of finance and corporate governance. The address of the corporate website: www.teco.com.tw. (II) The corporate structure English website (https:// www.teco.com.tw/en). 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. (III) 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	(I) Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies ”. (II) Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies ”. (III) Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies“

Evaluation items	Implementation Status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
			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 2021.3.16.	
VIII. 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?	V		<ol style="list-style-type: none"> 1. 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. 2. 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. 3. 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 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. 4. 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. 5. 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. 6. 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 	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “

Evaluation items	Implementation Status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
			<p>risks of various environmental indicators in 2021.</p> <p>7. 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>8. 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 (US\$10 million), coverage (all the directors), premium rate, and insurance period (2020 and 2021) was delivered at the 12th meeting of the 25th board of directors (2.24.2020) and 23th meeting of the 25th board of directors.(3.2.2021)</p>	
IX. 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>1. The company was granted top 5% evaluation in corporate-governance evaluation for eight years running since fiscal 2015. The situation has been improved: 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> <p>2. Matters needed to be improved and its measures: The Company will continuously diversify the board and improve the proportion of female directors and independent directors.</p>	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “

Note 1: Implement the policy of diversification in the board

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.

Status of attendance for the first meeting of the committee in 2021:

Title	Name	Actual attendance Times	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

Status of attendance for the two meetings of the 2nd corporate governance committee in 2021:

Title	Name	Actual attendance Times	Attendance rate (%)	Note
Convener and chairman	Li-Chen Lin	2	100%	Legal, operating management and EGS
Member	Hsieh-Hsing Huang	2	100%	Accounting and electric vehicle business
Member	Shiang-Chung Chen	2	100%	New energy and operating management
Member	Chwen-Jy Chiu	2	100%	Finance and Management
Member	Mao-Hsiung Huang (Note)	2	100%	Management and Industrial Innovation
Member	Show-Shoun Chou	2	100%	Operating management and government strategy

(Note) Member Mao-Hsiung Huang resigned on October 1, 2021.

Other mentionable items:

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
1-7 (Jan 12, 2021)	(1) The company's "CSR Committee", "Corporate Governance Center" and "Legal and Compliance Division" and "Information Security Committee" 2021 work plan.	<ul style="list-style-type: none"> • Major tasks of "CSR Committee": ESG weakness and benchmark analysis, establish 2021 sustainable promotion team, and project promotion. • Major tasks of "Corporate Governance Center": Strengthen the board functions, improve information transparency, strengthen communication with investors and ensuring top 5% in "corporate governance competition". • Major tasks of "Legal and Compliance Division": Intellectual property management, obtaining the TIPS authentication, implementing the Company's Code of Integrity Operation, risk analysis of unethical behavior, assessment and supervision. • Major tasks of "Information Security Committee": Reviewing information security policy, improving employees' information security awareness, checking the company-wide information security, introducing ISO27001

Corporate Governance and Sustainability Committee	Item	Result
		international information security management standards. The work plan of the above committees and offices for 2021 was approved after the chairman consulted all present members without objections raised.
1-8 (March 16, 2021)	(1) 2020 "Performance Assessment Report of Board of Directors". (2) Nomination for the 26th director (including independent director) candidates.	(1) Notification. (2) Approval after the chairman consulted all attending member, then submitted to the board of directors for ratification.
1-9 (March 31, 2021)	(1) Nomination for the 26th director (including independent director) candidates.	(1) Approval after the chairman consulted all attending member, then submitted to the board of directors for ratification.
2-1 (August 31, 2021)	(1) Nominating the convener for the corporate governance and sustainability committee.	(1) Independent director Li-Chen Lin acts as convener.
2-2 (September 11, 2021)	(1) The implementation of "CSR Committee", "Corporate Governance Center" and "Legal and Compliance Division" and "Information Security Committee" work plan in the first half of 2021. (2) Succession plan and operation report of important managers. (3) Amendment to the Company's Corporate Governance Best Practice Principles.	(1) It's suggested that "Corporate Governance Center" to strengthen communication with investors, and to invite the experts of III(Institute for Information Industry) to deliver speeches about information security. Notification. (2) Expatriate professionals could be employed as managers. The management team shall keep younger. Notification. (3) Approval after review, then submitted to the board of directors.

Note 2: Evaluation for CPA

Chapter I. Requirement of Independence			
Evaluation items		Evaluation Result	Whether compliance Independence
01	Do certified public accountants, their spouses, or minor children have relationship of investment or financial-interest sharing with the company?	No	V
02	Whether certified public accountants, their spouses, or minor children have borrowing or loaning relationship with the company? It doesn't cover cases involving financial institutions as clients for normal dealings.	No	V
03	Whether certified public accounts or members of auditing service panel serve as the company's directors, managing staffers, or other positions with significant influence on the audited cases at present or recent two years?	No	V
04	Whether certified public accountants or members of auditing service panel undertake promotion or brokerage of stocks or other securities floated by the company?	No	V
05	Whether certified public accountants or members of auditing service panel represent the company in defending cases involving the company and third parties or other disputes?	No	V
06	Whether certified public accounts or members of auditing service panel are spouses, direct blood relatives, direct relatives by marriage, or relatives within second-degree kinship of the company's directors, managerial staffers, or employees with significant influence on audited cases?	No	V
07	Whether there are certified public accountants relieving joint practice within one year who now serve as the company's directors, managerial staffers, or other positions with significant influence on audited cases?	No	V
08	Whether certified public accountants or members of auditing service panel receive major gifts or preferential treatments from the company's directors, managerial staffers, or major shareholders?	No	V
09	Whether certified public accountants are hired by clients or persons under investigation for regular jobs, reception of fixed pays, or service of directors or supervisors?	No	V

Chapter II. Operation of Independence			
Evaluation items		Evaluation Result	Whether compliance Independence
01	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	
02	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
03	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
04	Whether certified public accountants carry out professional service in upright and rigorous manner?	Yes	V
05	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 3: Issues which stakeholders focus and communication channel

Stake holders	Issue	Communication channel/response method/frequency	Communication efficiency/achievement
Shareholder	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) Director Chien ir@teco.com.tw 	<ul style="list-style-type: none"> ● Selected in "Dow Jones Sustainability Index","Taiwan Sustainability Index". ● 2021 corporate governance evaluation ranked top 5% for the 7th consecutive year. ● 42 major information releases and announcements in Chinese and English respectively. ● Reelected directors at 2021 shareholders' meeting (July 23, 2021). ● 4 investors' conferences were held, invited to attend 9 investment forums both at home and abroad. ● Received 92 visits of investors (excluding investment forums and broker analysts) (including 16 visits of foreign investors), and paid 11 trips to brokers. ● Received the groups of smart mobility exhibition on Oct 22 (25 people).
Employee	Business development and operation Labor Relations Employees' rights and interests Training and career development Occupational environment Expression of employees' opinions and communication	<ul style="list-style-type: none"> ● Labor-management conferences: 1 per quarter ● Trade Union workshop: 1 per six months ● Food meeting: 1 per quarter ● Employee quarterly meeting 1 per quarter ● Occupational Safety and Health Committee: 1 per quarter ● Employee satisfaction survey: 1 per year ● E-board: Irregular Notice ● Unlawful infringement/Complaint: HRP@teco.com.tw ● Contact window: (HR) Manager Yu edward@teco.com.tw 	<ul style="list-style-type: none"> ● Labor-management conferences: 16 meetings at four plants in total in 2021 ● Trade Union workshop: A symposium is held once per six months for company chairman, president, manager of every plant, company's human resource executives as well as directors and supervisors of the company's labor union. ● Food meeting: 16 meetings at four plants in total in 2021 ● Employee quarterly meeting 4 meetings in 2021 in total, provided equal opportunities to employees from all plants through communication and software tools. ● Employee satisfaction survey: Knew the opinions of employees and executives through the survey. ● Unlawful infringement/Complaint: 1 case. ● E-board: Irregularly announce various employee welfare matters (health

Stake holders	Issue	Communication channel/response method/frequency	Communication efficiency/achievement
			examination, group insurance, etc.), welfare committee information, important operation information of the Company, education and training course information, annual performance management operation, etc.
Client	Labeling for products and services Customers' health and safety Product quality Marketing communication Survey of customers' satisfaction Green products	<ul style="list-style-type: none"> ● Questionnaire survey of satisfaction—1~4 times/year ● Dedicated telephone lines for response to customers if needed ● 1-4 symposiums a year for sales agents and irregular calls on sales agent ● Tracking of after-sale services---by every service and telephone talks after ● company's website and media---updated in needed ● Contact window: (Spokesperson) Chien Director speaker@teco.com.tw 	<ul style="list-style-type: none"> ● Conduct customer satisfaction survey, analysis and countermeasures every year. ● Regularly perform external audit (Nov-Dec 2021), internal audit, process audit and product audit of the quality control system. ● Continuously promote the quality improvement teams (29 teams) and improvement proposals (e.g. 642 cases). ● Organize internal auditor training (as of May 2021, 44 trainees, 14 hours/person); five major tools training for quality management (as of August 2021, 22 trainees, 28 hours/person). ● Annual management review meeting (Oct 2021-Jan 2022), monthly quality meeting, monitoring the quality risk management of stakeholders on both internal and external issues. ● Five press conferences. ● Attended 4 times of (Kaohsiung Industrial Hall Motor Trend Exhibition, Automation Exhibition, Intelligent Mobility Exhibition, Smart City Exhibition). ● 34 news papers on the official website, the latest 13 pieces this month; replied 500 mails. ● 83 tweeters; 43 Youtube videos. ● 65th anniversary of digital exhibition.
Supplier	Green supply chain management Human right evaluation for suppliers Operational performance Order management Quality management Technology used in production	<ul style="list-style-type: none"> ● Evaluation of suppliers—70 per year. ● Examination of suppliers—once a quarter ● Counseling for suppliers---offered if needed ● E-procurement---if needed ● Contact window: (Coordination) Director Lin dora@teco.com.tw 	<ul style="list-style-type: none"> ● Risk assessment and on-site evaluation were undertaken for key suppliers, with key suppliers ● 305 suppliers have signed the CSR commitments in total, 100% major suppliers have signed.
Local community	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) Manager Jiang 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 ● 373 employees participated in public activities with 495 voluntary hours.

Stake holders	Issue	Communication channel/response method/frequency	Communication efficiency/achievement
NGO NGO (non-governmental organization)	Environmental protection Social benefit Labor conditions	<ul style="list-style-type: none"> ● Actively participated in various forums and workshops organized by civil groups and academic groups ● 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 ● Contact window: IR) Director Chien ir@teco.com.tw 	<ul style="list-style-type: none"> ● Active participation in external organizations and forums to support goals of sustainable development and government policies ● In December 2021, purchased 338 boxes of pineapple shakya and sent to 44 social and welfare groups. ● Greenhouse gas inventory---the company passes BSI (British Standards Institution) ISO 14064-1 verification to obtain reasonable level of assurance every year
Government agency	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 ● Work with the competent authority in auditing and supervision ● Contact window: (Spokesperson) Chien Director speaker@teco.com.tw 	<ul style="list-style-type: none"> ● 4 promotional activities (foreign trade associations: smart plant industry road-map, circular economy VR museum; Youth Career Development Center of the Ministry of Labor; 360-degree VR workplace film; Industrial Technology Research Institute, Economic Development Bureau, Kaohsiung City; 2021 Kaohsiung Startup Competition) ● 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

Criteria Roles Name		Professional qualifications and experience	Independence Criteria	Number of part-time positions on the compensation committees of other companies
Independent Director	Shiang-Chung Chen	Please refer to Page 12 disclosed information about director qualification and independence.	<p>The qualifications of the independent directors of the Company meet Article 6 regarding independence regulations of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”.</p> <ul style="list-style-type: none"> ● I, my spouse and relative within the second degree of kinship do not serve as the director, supervisor or employee of the Company or its affiliated companies. ● I, my spouse and relative within the second degree of kinship (or under other's name) do not hold any percentage or number of issued shares of the Company; ● Do not serve as a director, supervisor or employee of the Company that has a special relationship with the Company; ● Do not provide commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years. 	1
Independent Director	Wei-Chi Liu	Please refer to Page 12 disclosed information about director qualification and independence.	<p>The qualifications of the independent directors of the Company meet Article 6 regarding independence regulations of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”.</p> <ul style="list-style-type: none"> ● I, my spouse and relative within the second degree of kinship do not serve as the director, supervisor or employee of the Company or its affiliated companies. ● I, my spouse and relative within the second degree of kinship (or under other's name) do not hold any percentage or number of issued shares of the Company; ● Do not serve as a director, supervisor or employee of the Company that has a special relationship with the Company; ● Do not provide commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years. 	2

Criteria Roles Name		Professional qualifications and experience	Independence Criteria	Number of part-time positions on the compensation committees of other companies
Independent Director	Hsieh-Hsing Huang	Please refer to Page 12 disclosed information about director qualification and independence.	<p>The qualifications of the independent directors of the Company meet Article 6 regarding independence regulations of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”.</p> <ul style="list-style-type: none"> ● I, my spouse and relative within the second degree of kinship do not serve as the director, supervisor or employee of the Company or its affiliated companies. ● I, my spouse and relative within the second degree of kinship (or under other's name) do not hold any percentage or number of issued shares of the Company; ● Do not serve as a director, supervisor or employee of the Company that has a special relationship with the Company; ● Do not provide commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years. 	1
Independent Director	Li-Chen Lin	Please refer to Page 12 disclosed information about director qualification and independence.	<p>The qualifications of the independent directors of the Company meet Article 6 regarding independence regulations of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”.</p> <ul style="list-style-type: none"> ● I, my spouse and relative within the second degree of kinship do not serve as the director, supervisor or employee of the Company or its affiliated companies. ● I, my spouse and relative within the second degree of kinship (or under other's name) do not hold any percentage or number of issued shares of the Company; ● Do not serve as a director, supervisor or employee of the Company that has a special relationship with the Company; ● Do not provide commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years. 	0
External Expert	Kung-Yeun Jeng	Mr. Jeng graduated from the Department of Shipbuilding Engineering of National Cheng Kung University, and then successively obtained a master's degree from the Institute of Transportation Engineering of Chiao Tung University, a master's degree	<p>The qualifications of the independent directors of the Company meet Article 6 regarding independence regulations of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”.</p> <ul style="list-style-type: none"> ● I, my spouse and relative within the 	0

Roles Name	Criteria	Professional qualifications and experience	Independence Criteria	Number of part-time positions on the compensation committees of other companies
		<p>from the Institute of Shipping Management of MIT and a doctorate from the Institute of Transportation and Transportation of Chiao Tung University.</p> <p>Mr. Jeng has more than 30 years of work experience. He has served as the chairman of EVA Air, the chairman of UNI Air, the vice chairman of EVA Group Italian Shipping, and the deputy general manager of EVA Shipping. Currently, he is the President of Taiwan High Speed Rail. At the same time, he is a member of the current Compensation Committee. Possess majors in transportation management, information system management, investment evaluation and analysis, management company leadership and ESG.</p> <p>Without cases mentioned in various clauses of Article 30 of Company Law.</p>	<p>second degree of kinship do not serve as the director, supervisor or employee of the Company or its affiliated companies.</p> <ul style="list-style-type: none"> ● I, my spouse and relative within the second degree of kinship (or under other's name) do not hold any percentage or number of issued shares of the Company; ● Do not serve as a director, supervisor or employee of the Company that has a special relationship with the Company; ● Do not provide commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years. 	

(2) Information on Members of Compensation Committee

A. There are five members in Compensation Committee

B. The term of the current committee: July 23, 2021 to July 22, 2024. The committee has met three times in 2021. The attendance and qualifications of committee members follow:

Status of attendance for the fourth meeting of the committee in 2021:

Title	Name	Number of attendance (B)	By Proxy	Attendance rate (%) (B/A)	Remarks
Convener and chairman	Wei-Chi Liu	1	0	100%	Re-elected (re-elected on August 6, 2021) shall attend by 1 time
Member	Ting-Wong Cheng	1	0	100%	Previously appointed (reelected on August 6, 2021) Shall attend by 1 time
Member	Jin-Fu Chang	1	0	100%	Previously appointed (reelected on August 6, 2021) Shall attend by 1 time

Status of attendance for two meetings of the fifth committee in 2021:

Title	Name	Number of attendance (B)	By Proxy	Attendance rate (%) (B/A)	Remarks
Convener and chairman	Shiang-Chung Chen	2	0	100%	Newly appointed (reelected on August 6, 2021) Shall attend by 2 times
Member	Wei-Chi Liu	2	0	100%	Re-elected (re-elected on August 6, 2021) Shall attend by 2 times
Member	Kung-Yeun Jeng	1	0	100%	Newly appointed (reelected on Nov 5, 2021) Shall attend by 1 time
Member	Hsieh-Hsing Huang	1	0	100%	Newly appointed (on December 20, 2021) Shall attend by 1 time
Member	Li-Chen Lin	1	0	100%	Newly appointed (on December 20, 2021) Shall attend by 1 time
Member	Pen-Ching Cheng	1	0	100%	Resigned (Nov 5, 2021) Shall attend by 1 time

Other mentionable items:

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 2021

Compensation committee	Communication Item	Communication Result
4-6 (March 16, 2021)	The proposal on the Company's 2020 remuneration distribution for employees	Approved, submit to board of directors for resolution
	The proposal on the Company's 2020 remuneration distribution for directors	Approved, submit to board of directors for resolution
	The remuneration adjustment plan for President Jau-Tsu Lien (appointed manager)	Approved, submit to board of directors for resolution
	The remuneration adjustment plan for Shih-Hsiung Chien, the director of Corporate Governance Center (appointed manager)	Approved, submit to board of directors for resolution

Compensation committee	Communication Item	Communication Result
5-1 (August 30, 2021)	Report on current remuneration system for directors and independent directors and suggestions for future adjustment	Notification.
	Optimization plan for the remuneration system	Notification.
	Discussion on director of TECO group research institute Kun-Yao Ho remuneration	Approved, submit to board of directors for resolution
5-2 (Dec 29, 2021)	Progress report of remuneration optimization plan	Notification.
	Report on distribution of remuneration to executive manager in 2020	Notification.
	Report on distribution of 2021 year-end bonuses among managers	Notification.
	Current remuneration system for directors and independent directors and suggestions for future adjustment	Approved the fixed compensation for independent directors, submitted to the board of directors for resolution.

3.3.5 The Company's implementation of sustainable development, differences from the practices of TWSE/TPEX Listed Companies, and reasons for the differences

Promotion items	Execution			Discrepancy with "Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies " and reasons
	Yes	No	Summarized Explanation	
I. Does the company establish exclusively (or concurrently) dedicated units to implement sustainable development, and does the Board of Directors appoint executive level positions with responsibility for sustainable development to supervise the status of the implementation to the Board of Directors?	V		<ol style="list-style-type: none"> 1. The Company sets up "ESG Promotion Office" to regularly report to chairman, follow up with implementing TECO sustainable development goals and policies. CEO of ESG Promotion Office is the highest management level. ESG Promotion Office is employed with full-time sustainable management officer, responsible for work or promotion across different departments, consisting of "business group/site representative", "safety and health team", "HR", "finance division", "Corporate Purchasing Center" and other units, to simultaneously promote the work across the Company. 2. The board of directors set up a "corporate governance and sustainability committee" to guide the relevant matters of "corporate governance", "legal compliance and legal affairs" and "ESG". 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. Meetings are held regularly every year. 3. The working plan for 2021 has been submitted to the 7th meeting of the first corporate governance and sustainability committee (January 12, 2021) and the 23rd meeting of the 25th board of directors (March 2, 2021). The relevant implementation report has been submitted to the 2nd meeting of the second corporate governance and sustainability committee (September 11, 2021) and the third meeting of the 26th board of directors (November 5, 2021). The directors suggested the operation team should continuously reinforce the investor communication, review the performance system, and assess the implications of the zero emission initiative and countermeasures as well as the changes from the carbon neutral and future business opportunities. 	Compliance with "Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies "
II. Does the company conduct risk assessments of environmental, social and corporate governance issues related to the company's operations in accordance with the materiality principle, and establish relevant risk management policies or strategies? (Note2)	V		<ol style="list-style-type: none"> 1. The Company established the Risk Management Policy and Procedure in accordance with Article 44 of the Regulations Governing Establishment of Internal Control Systems by Public Companies at the 17th meeting of the 22nd board of directors (March 20, 2012), and its first amendment was adopted at the 6th meeting of the 26th board of directors (March 16, 2022). The strategy, scope, organizational structure and implementation status of the risk management in 2021 have been reported to the 4th meeting of the 26th board of directors (December 20, 2021) and disclosed on the official website of the Company. 2. TECO is committed to establishing a sound risk management system. The "audit committee" and "corporate governance and sustainability committee" are the highest level of the company's risk management, in charge of various risks, so as to clarify the division of responsibilities, carry out risk control at different levels, 	Compliance with "Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies "

Promotion items	Execution		Discrepancy with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons																	
	Yes	No		Summarized Explanation																
			<p>and report to the chairman of the board. In addition, the Company is responsible for monitoring and auditing the whole risk management mechanism through the audit team directly under the board of directors, ensuring the effectiveness of the company's risk control and properly managing potential risks through internal audit operations.</p> <p>3. The scope of major risk assessment in 2021 includes plants in Taiwan, the United States, mainland China, Vietnam and Malaysia, which is the same as the scope of the sustainability report.</p> <p>4. In 2021, the ESG Promotion Office identified material issues from the perspective of global mega trend, prepared the stakeholder questionnaire, interviewed representative stakeholders, collected information and updated the extent of attention. The office sequenced and analyzed these issues from the perspectives of both external stakeholders and internal managers, identified different opinions and corrected the direction of CSR promotion. The company has formulated the following risk management policies or strategies pertaining to the environmental, social and corporate governance issues based on the principle of materiality:</p> <table><tr><th>Material issue</th><th>Risk assessment Item</th><th>Remark</th></tr><tr><td rowspan="4">Environment</td><td>Full product lifecycle management</td><td>Establish the carbon emission reduction strategy for products and implement carbon emission reduction measures at the raw material and manufacturing stages.</td></tr><tr><td>Identification of climate change risk and opportunities</td><td>Carry out the “10-year Emission Reduction by 50%” plan, and achieve the goal by 2030.</td></tr><tr><td>Identification of future cost</td><td>Track carbon footprints of major products, establish carbon specifications for products and define perpetual management goals for related suppliers.</td></tr><tr><td>Renewable energy and green power generation</td><td>Increase solar power generation facilities successive at various plants and establish an adequate power capacity reserve to comply with proactive laws and regulations.</td></tr><tr><td rowspan="2">Social</td><td>Customer relations management</td><td>Optimize service capacity and improve customer satisfaction.</td></tr><tr><td>Employee life and occupational safety</td><td>Refer to the labor standards outlined in the UN Universal Declaration of Human Rights, the UN Global Compact, and the International Labor Organization Conventions. Establish the environmental safety management system and promote the operation of the management system in accordance with ISO 14001 and ISO 45001. Organize regular trainings related to environment and safety.</td></tr></table>	Material issue	Risk assessment Item	Remark	Environment	Full product lifecycle management	Establish the carbon emission reduction strategy for products and implement carbon emission reduction measures at the raw material and manufacturing stages.	Identification of climate change risk and opportunities	Carry out the “10-year Emission Reduction by 50%” plan, and achieve the goal by 2030.	Identification of future cost	Track carbon footprints of major products, establish carbon specifications for products and define perpetual management goals for related suppliers.	Renewable energy and green power generation	Increase solar power generation facilities successive at various plants and establish an adequate power capacity reserve to comply with proactive laws and regulations.	Social	Customer relations management	Optimize service capacity and improve customer satisfaction.	Employee life and occupational safety	Refer to the labor standards outlined in the UN Universal Declaration of Human Rights, the UN Global Compact, and the International Labor Organization Conventions. Establish the environmental safety management system and promote the operation of the management system in accordance with ISO 14001 and ISO 45001. Organize regular trainings related to environment and safety.
Material issue	Risk assessment Item	Remark																		
Environment	Full product lifecycle management	Establish the carbon emission reduction strategy for products and implement carbon emission reduction measures at the raw material and manufacturing stages.																		
	Identification of climate change risk and opportunities	Carry out the “10-year Emission Reduction by 50%” plan, and achieve the goal by 2030.																		
	Identification of future cost	Track carbon footprints of major products, establish carbon specifications for products and define perpetual management goals for related suppliers.																		
	Renewable energy and green power generation	Increase solar power generation facilities successive at various plants and establish an adequate power capacity reserve to comply with proactive laws and regulations.																		
Social	Customer relations management	Optimize service capacity and improve customer satisfaction.																		
	Employee life and occupational safety	Refer to the labor standards outlined in the UN Universal Declaration of Human Rights, the UN Global Compact, and the International Labor Organization Conventions. Establish the environmental safety management system and promote the operation of the management system in accordance with ISO 14001 and ISO 45001. Organize regular trainings related to environment and safety.																		

Promotion items	Execution			Discrepancy with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons												
	Yes	No	Summarized Explanation													
			<table><tr><th>Material issue</th><th>Risk assessment Item</th><th>Remark</th></tr><tr><td rowspan="4">Corporate Governance</td><td>Strengthen the function of the board</td><td>Make the further learning plan for the directors and provide the latest laws, regulations and policies from time to time.</td></tr><tr><td>Code of conduct and regulatory compliance</td><td>Carry out the internal control system and ensure all directors, managers and employees comply with related laws, regulations, rules and code of conduct.</td></tr><tr><td>Resilience of supply chain</td><td>Build four production centers to offset the negative impact from climate and political changes.</td></tr><tr><td>Intelligent product and innovation management</td><td>Develop and introduce the petrochemical electrification plan for America and Canada to help customers reduce carbon reduction in operation. Develop low-carbon new products and build renewal energy facilities.</td></tr></table>	Material issue	Risk assessment Item	Remark	Corporate Governance	Strengthen the function of the board	Make the further learning plan for the directors and provide the latest laws, regulations and policies from time to time.	Code of conduct and regulatory compliance	Carry out the internal control system and ensure all directors, managers and employees comply with related laws, regulations, rules and code of conduct.	Resilience of supply chain	Build four production centers to offset the negative impact from climate and political changes.	Intelligent product and innovation management	Develop and introduce the petrochemical electrification plan for America and Canada to help customers reduce carbon reduction in operation. Develop low-carbon new products and build renewal energy facilities.	
Material issue	Risk assessment Item	Remark														
Corporate Governance	Strengthen the function of the board	Make the further learning plan for the directors and provide the latest laws, regulations and policies from time to time.														
	Code of conduct and regulatory compliance	Carry out the internal control system and ensure all directors, managers and employees comply with related laws, regulations, rules and code of conduct.														
	Resilience of supply chain	Build four production centers to offset the negative impact from climate and political changes.														
	Intelligent product and innovation management	Develop and introduce the petrochemical electrification plan for America and Canada to help customers reduce carbon reduction in operation. Develop low-carbon new products and build renewal energy facilities.														
III. Environment issues (I) Does the company establish an appropriate environmental management system according to its industrial characteristics?	V		1. By the type of business, each plant needs to obtain international certification such as ISO 9001 and TS16949, and strengthen the control ability of introducing ISO 14001, ISO 45001 or hazardous substances.	Compliance with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “												
(II) Is the company committed to improving the energy utilization efficiency and using recycled materials with low impact on environmental load?	V		<ul style="list-style-type: none">● Motors use recycled materials: Reuse melted silicon steel scrap as the motor shell, of which recycled iron accounts for about 40%● Introduction of waterborne paint: The external coating of the motor changes to waterborne coating, which can effectively reduce the emission of volatile organic compounds (VOC). The waterborne coating has reached 80% of the total production, and the total emission of volatile organic compounds (VOC) has been reduced by about 60%● Climate-friendly alternatives to HFCs: Promoting R32 refrigerant recovery and refrigeration process recovery, the small home air conditioners produced by TECO have adopted climate-friendly refrigerants.	Compliance with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “												
(III) Does the company assess the potential risks and opportunities arising from climate change at present and in the future and take related countermeasures?			TECO declares "50% carbon reduction in ten years". 50% of carbon reduction will be achieved by 2030. The goal of carbon neutralization will be achieved by 2050.	Compliance with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “												
(IV) Has the company counted greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for greenhouse gas			<ul style="list-style-type: none">● Greenhouse gas: TECO conducted an inventory of greenhouse gas emissions in Taiwan, the Mainland, Vietnam and the United States, and the data coverage is expanded over the years, as well as the management scope. Total direct emissions (category I) are 22,259 (metric tons of CO2e / year) and total indirect emissions (Category II) are 59,887 (metric tons of CO2e / year). Various plants in Taiwan obtain the BSI-issued certificates	Compliance with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “												

Promotion items	Execution			Discrepancy with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
reduction, water use reduction or other waste management?			<p>ISO 14064-1 (greenhouse gas emissions). To ensure data accuracy, third-party certification agencies will complete the certification of the overseas plants in 2022.</p> <ul style="list-style-type: none"> ● Water consumption: The total consumption of clean water is 400 million cubic meters ● Wastes: The total amount of waste is 16146 metric tons, of which the total amount of waste used / recovered / sold is 13501 metric tons. 	
IV. Social Issues (I) Does the company establish appropriate management policies and procedures in accordance with relevant laws and regulations and the International Bill of Human Rights?			TECO respects and encourages implementation of the labor standards of The UN Universal Declaration of Human Rights, The UN Global Compact, and The International Labor Organization Conventions, and TECO is committed to ensuring that everyone is equally treated in a dignified manner within and outside TECO. The mitigation measures include safe and healthy work environment, no compulsory and forced labor, no child labor, non-discrimination, freedom of association and collective bargaining rights.	Compliance with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “
(II) Whether the company has formulated and implemented reasonable employee welfare measures (including salary, vacation and other benefits), and appropriately reflect the operating performance or results in employee compensation?			<ol style="list-style-type: none"> 1. "The operation guidelines for special bonus payment" applies to the employee and is paid in cash by individual performance. Part of the bonus will be distributed seasonally in the next 2 years. The actual bonus will be subject to KPI points in the previous quarter. TECO performance KPI is set case by case. The personnel related to sustainability will be related to sustainability KPI. To balance the gender structure, the Company ensure the promotion of female employees based on KPIs. All female employees are increased to 30.4% from 27.8% in recent three years. 2. In 2020, the Company established the Centripetal Shareholding Committee and granted the bonus to the executives at the manager level and above, and part of the bonus was used to buy the Company's shares in the form of stock trust. In 2020, the Company established the Employee Shareholding Committee. The executives at the manager level and above could appropriate part of their monthly salaries, and the Company would appropriate the same amount to buy the Company's shares in the form of stock trust. TECO will continuously optimize long-term reward mechanism and include sustainable indicators into KPI bonus. 3. comprehensive vacation system: In order to balance the work and life balance of colleagues, and implement leave management, 4. in addition to the leave enjoyed by employees in accordance with relevant laws and regulations, the Company also examines the special leave-taking rate of each unit and includes it in the annual performance evaluation index of the executives. 5. 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 6. charity Leave: To encourage employees to participate in social charitable activities and implement the responsibility of corporate citizens, the Company has set up the paid leave for such activities. Such charity leaves 	Compliance with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “

Promotion items	Execution			Discrepancy with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
			<p>could be up to three days per year. Employees can engage in public charitable activities with the full salary paid, and will also not affect their performance evaluation.</p> <p>7. Miscarriage prevention: If an employee needs to take a leave for miscarriage prevention during pregnancy, she may take such leave up to 30 days per year with half salary paid.</p> <p>8. Rehabilitation leave: To make employees feel at ease and fully rest when they are ill, when employees are hospitalized, they can take paid leave corresponding to the length of stay in hospital after discharge from hospital.</p> <p>9. Wedding gratuity: When the employees or their children get married, TECO executives will extend our congratulations along with a marriage allowance.</p> <p>10. Funeral allowance When tragedy strikes employees or their families, TECO executives will mourn with them. In the funeral, TECO executives will send condolence banners or wreathes, as well as condolence allowance.</p> <p>11. Dormitory: Free dormitory is provided for employees in the plants. The dormitory self-management committee will consist of employees who live in the dormitory. Some fees are charged monthly for paying cleaning common areas, facility repair and various sports and entertainment activities.</p> <p>12. Sharing operating achievements: The performance management system is implemented to synchronize the reward of employees with the Company's business performance, so as to stimulate employees' sense of ownership. According to the Company's Articles of Incorporation, up to 10 percent of profit will be distributed to employees in line with profits of current year. In addition, annual bonus will be distributed by the operating income in accordance with annual bonus evaluation mechanism.</p>	
(III) Whether the company has provided staffers safe and healthy working environment and held regular safety and health education for staffers?			<p>TECO establishes the environmental safety management system and promotes the operation of the management system in accordance with ISO 14001 and ISO 45001 (Guidelines of Taiwan Occupational Safety and Health Management System). The headquarters (TECO) and its 8 affiliated enterprises have set up ISO 14001 and passed the verification. TECO organizes the environmental safety monthly activities in the third quarter of each year, and the environmental safety related training and award-winning activities to encourage the participation of all employees. Through these activities, all employees could increase the environmental safety related knowledge and raise their awareness. The environmental safety is improved in line with external auditing.</p> <ul style="list-style-type: none"> ● Disabling injury frequency rate FR: 1.11 ● Disabling injury severity rate SR: 20.96 ● Statistics of workplace disaster-related events: 11 events (2 events in Taiwan plants, 5 events in Mainland China, 4 in Westinghouse, USA) 	Compliance with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “
(IV) Whether the company has established effective cultivation plan for staffers in developing capabilities essential for their career?			<p>Mentor Program: Training senior managers with the capacity of carrying forward and organization. Under this Program, the business unit head (mentor) will select mentees and arrange mentees to complete operation/management capacity test. Of them, the operation/management capacity test covers six aspects: performance and target tracking management,</p>	Compliance with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “

Promotion items	Execution			Discrepancy with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
			<p>strategic thinking, application of financial statements and cost concepts, team building, development of subordinates, communication and coordination. In line with the evaluation results, the mentor and mentee jointly formulate the mentoring objectives and learning tasks.</p> <p>Digital skill training:</p> <ol style="list-style-type: none"> 1. Digital skills courses - online courses in cooperation with the Hahow training platform. 442 employees took 12 hours courses and completed 5,017 hours of training, so as to achieve the goal of encouraging employees to learn digital knowledge and skills independently. 2. Digital transformation project - cooperates with the Business School of Chengchi University to launch a digital transformation course. Four courses are designed for 41 key talents, including big data supply chain, artificial intelligence and operation optimization, digital transformation power, big data-based member marketing with Martech, and enabling them to be excel in digital transformation. 3. Digital transformation seed empowerment program for young employees: In six months, three young trainees completed smart marketing and smart manufacturing courses, as well as IoT training. Partnered with the government, TECO joined the young talent program, enabling young trainees to better know TECO's digital transformation process. <p>Complementary executive training:</p> <ol style="list-style-type: none"> 1. Newly-appointed executive training: Training is provided on the mentality management, cost and budget control, labor law, performance assessment and talent retention. 19 newly-appointed executives receive such training. 2. Middle-level executive training: Four courses: management and leadership, subordinate development and guidance, financial statement interpretation and analysis, cost concept and strategic thinking. 17 employees took these courses, 15 of them completed the courses. 3. Professional common function training (R&D technology forward, R&D quality management, market analysis and evaluation) was completed, with a total of 30 participants and a completion rate of 85%. <p>The Company designs the development training plan for employees, including the induction ceremony of the group's newcomers, which helps new employees to know the headquarters and plant environment, and the Company's culture and performance evaluation system, so as to help newcomers quickly familiarize the Company. The management function training is provided to newly appointed executives, potential directors at the shopfloor level and middle-level. The training plan is tailored for newly-appointed executives and potential executives at 5-8 level. At the professional training level, the core functions, professional functions and general policy functions are trained according to the structure of TECO Academy. The core function is for the purposes of establishing the cost concept and business operation awareness of the Company's executives. The professional functions cover the general knowledge of marketing business and R&D , as well as the courses of technical motors, electric control, electric power, appliances, refrigeration and air conditioning, so as to</p>	

Promotion items	Execution			Discrepancy with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
			develop talents with basic professional skills and general knowledge, and achieve the purpose of multi-level development across different levels and professions. This year, various business units will develop all kinds of technical courses, along with digital skills, digital transformation projects, digital transformation seed empowerment plan for young people, combined with potential director training, fixed core functions and professional common functions training (R&D technology carrying forward, R&D quality management, market analysis and evaluation).	
(V) 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 or client protection policies and appeal procedures?			Energy saving and carbon reduction are the trends in the design and development of home appliance products. TECO's motor complies with the international efficiency rating, and considers products above IE3 as high-efficiency motors. In 2021, the sales volume of high-efficiency motors account for more than 60%. TECO continues to promote replacement, provide sustainable power for the future. TECO's air conditioners focus on the development of frequency conversion under the condition of complying with the national CNS regulations and basic safety standards, achieving energy saving/water saving, introducing environmental protection refrigerants and materials, and obtaining energy saving labels, environmental protection labels and water saving labels, as product labeling and marketing. In addition to satisfying the health and safety of consumers, also contribute to reducing carbon emissions in the environment. The Company has also set up a dedicated service line for home appliances consumer (A-OK Technical Service Co., Ltd.) to provide a channel for consumers to report for repairs and complaints, and provide a privacy protection statement for related repairs to ensure consumer rights.	Compliance with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “
(VI) Does the company formulate a vendor management policy requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health, labor rights, and supervised the compliance?			TECO integrates relevant standards into the sustainable management policies for the supply chain in the aspects of economy, society and environment. To ensure that suppliers fulfill their corporate social responsibility, in addition to using the assessment mechanism to require suppliers to provide competitive quality, delivery time and technology, TECO also deepens management through specially formulated supplier ESG terms, creating manufacturer ESG evaluation form, increasing the proportion of localized procurement strategy, and signing the "RoHS Compliant Warranty", "statement of no conflict minerals" and "letter of commitment for human rights and environmental sustainability".	Compliance with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “
V. Does the company refer to the internationally-accepted reporting standards or guidelines to prepare sustainability reports and other reports that disclose non-financial information? Has the aforesaid reports received assurance or certification from a third-party accreditation institution?			The content and structure of the report are mainly based on the core or all options of the GRI standards issued by the Global Reporting Initiative (GRI), and are presented based on the AA1000 standard and BSI to ensure correctness.	Compliance with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “

Promotion items	Execution			Discrepancy with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
VI. Should the company formulate own sustainable development practice principles according to “Sustainable Development Best Practice Principles for TWSE/GTSM-Listed Company,” specify its execution and difference with the principles: The Company has the sustainable development best practice principles, which covers the overall operation activities of the Company and its group enterprises. In corporate operation, the Company is expected to actively implement the international development trend of sustainable development, enhance the national economic contribution, improve the quality of life of employees, communities and society, and build its competitive advantage based on sustainable development through fulfilling the responsibility of corporate citizens. There is no difference in implementation results.				
VII. Other important information to facilitate better understanding of the Company's sustainable development practices: Since 2022, TECO has set up "ESG Promotion Office" to regularly report to chairman, follow up with implementing TECO sustainable development goals and policies, TECO declares "50% carbon reduction in ten years". 50% of carbon reduction will be achieved by 2030. The goal of carbon neutralization will be achieved by 2050.				

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”

Evaluation items	Execution (note 1)			Difference with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summarized Explanation	
I. Formulate policy and program for ethical corporate management (I) Whether the company has 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 (II) Whether the company has established an assessment mechanism for the risk of	V		(I) "Operate with integrity, implement 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 13th 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. (II) The company's board of directors decided on November 12, 2019 to amend the company's " Ethical Corporate Management Best Practice	Compliance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies

Evaluation items	Execution (note 1)			Difference with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
	Yes	No	Summarized Explanation	
<p>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"</p> <p>(III) 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>			<p>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" (I. bribery and acceptance of bribes. II. Providing illegal political donations. III. Improper charitable donation or sponsorship. IV. provide or accept unreasonable gifts, hospitality or other irregularities. V. Infringement of business secrets and trademarks, rights, patent rights, copyrights and other intellectual property. VI. Engaging in unfair competition VII. 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) Accordingly, Legal and Compliance Division announced the implementation of the "fraud business risk assessment mechanism" on July 27, 2020. Various departments of the Company shall conduct a review report on the risk of unethical behavior in the first and second half of each year, and update the analysis, evaluation and preventive measures plan of the risk of unethical behavior in the next year. 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>(III) 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 2021) with all companies around the world. Customs enterprises signed a letter of commitment for honest management of the companies (100% 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</p>	

Evaluation items	Execution (note 1)			Difference with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
	Yes	No	Summarized Explanation	
			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 responsible unit for integrity management, responsible for the implementation of integrity management policies and prevention plans. At the same time, it reviews regularly, and the recent board of directors' resolution on March 17, 2020 passed the amendment to the "Procedures for Ethical Management and Guidelines for Conduct."	
<p>II. Materialize ethical corporate management</p> <p>(I) 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>(II) 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>(III) Whether the company has formulated policy preventing conflict of interest and provided, as well as faithfully executed, proper channel for complaints.</p>	V		<p>(I) 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 code. The Human Rights and Environmental Sustainability Commitment amended on June 10, 2021 requires the trading partners to sign the sustainable development statement. The priority is given to those enterprises that sign the integrity commitment.</p> <p>(II) 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 12, 2021, September 11, 2021, 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 2021 of the board of directors on March 2 and Nov 5). The measurement for fraud business risk assessment mechanism was released on July 27, 2020. The risk review and report of unethical behavior was accessed in the first and second half of 2021 in accordance with the measures in 2021. The risk analysis and preventive measures plan for unethical behavior in 2022 was updated on December 10, 2021.</p> <p>(III) 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</p>	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"

Evaluation items	Execution (note 1)			Difference with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
	Yes	No	Summarized Explanation	
(IV) Whether the company has instituted effective accounting system and internal control system for the materialization of the policy of ethical corporate management, which is audited regularly by in-house auditing unit or certified public account under its entrustment.			express their opinions or appeal. (IV) 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 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 (Dec 13, 2021) and the board of directors (Dec 20, 2021) 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, based on the audit committee report (March 16, 2021) and board meeting (March 23, 2021). In addition, through the annual internal control self-assessment, each business group of TECO must self-examine the effectiveness of the internal control system design and implementation.	
(V) Whether the company had held internal or external education and training regularly on ethical corporate management.			(V) 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 delivered relevant training and information sessions for the incumbent directors, managers and employees on March 12, 2021, June 18, 2021, September 3, 2021 and November 19, 2021. The course contents include compliance with integrity business laws and regulations, fair trading laws and regulations, corporate governance spirit, intellectual property management and protection system, TIPS system introduction, with a total of 1,022 employees/times participated and a total of more than 58,480 minutes. September 27, 2021, also invited to gather all the representative of the affiliated companies held a seminar on promoting integrity management to connect TECO to implement the group's core values of integrity management. Besides	

Evaluation items	Execution (note 1)			Difference with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summarized Explanation	
			the employees of TECO have promoted the completion of the "Integrity Statement" (signing rate 100% as of Sep 21, 2020, all new employees signed when they report for duty in 2021), 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. After class, they were tested how they learned from class and place the course briefings and audiovisual files in the internal staff system. All employees are asked to pass the tests.	
III. Implementation of whistleblowing system (I) Has the Company established a concrete whistleblowing and reward system, established convenient whistleblowing channels, and designated appropriate personnel to handle the case being exposed by the whistle-blower? (II) Has the company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms? (III) Has the Company established measures to protect whistleblowers from retaliation?	V		(I) As part of the company's reporting system, the company has formulated "Bylaws to report cases of illegal and unethical conduct," to regulate employees in compliance with integrity behavior. In case of any suspended fraud found, the employees shall be liable for giving a warning, and has instituted reporting e-mail address (integrity@teco.com.tw) with the audit division. The Company shall set up a hotline and integrity reporting system for employees, external personnel, manufacturers to directly report any unethical behaviors against financial, legal and integrity regulations. The audit division under the board shall be responsible for receiving and processing such cases. (II) 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. (III) 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
IV. Intensifying information disclosure (I) Whether the company has disclosed its “Ethical Corporate Management	V		(I) The company places relevant norms and publicity information on integrity management on its internal website for colleagues to inquire at	Compliance with “Ethical Corporate Management Best

Evaluation items	Execution (note 1)			Difference with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summarized Explanation	
Best Practices Principles” on its website and the implementation effect.			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.	Practice Principles for TWSE/GTSM-Listed Companies
V. 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. The company operation and guidelines comply with the Ethical Corporate Management Best Practice Principles.				
VI. Other key information conducive to the understanding of the company’s integrity-related affairs: (e.g. the Company reviews and amends its code of business conduct and ethics) 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"; On June 10, 2021, amended "Human Rights and Environmentally Sustainable Commitment".				

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>) comforming to related regulations.

3.3.8 Other Important Information Regarding Corporate Governance

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

B. Advanced studies for directors:

Title	Name	Date	Organizer	Training Course	Time
Chairman	Tung Kuang Investment Co., Ltd. Representative: Chwen-Jy Chiu	Jul 29, 2021	Taiwan Institute for Sustainable Energy	The 25th CEO talk and Special Lecture	2 hrs
		Oct 28, 2021	Taiwan Institute for Sustainable Energy	The 26th CEO talk and Special Lecture	2 hrs
		Nov 5, 2021	Taiwan Investors Relation Institute	Information security and risk trend analysis	3 hrs
		Dec 20, 2021	Taiwan Investors Relation Institute	The latest international EGS policy and trend analysis	3 hrs
Director	Tong Ho Global Investment Co., Ltd. Representative: Cheng-Tsung Huang	Nov 5, 2021	Taiwan Investors Relation Institute	Information security and risk trend analysis	3 hrs
		Dec 20, 2021	Taiwan Investors Relation Institute	The latest international EGS policy and trend analysis	3 hrs
Director	Show-Shoun Chou	Nov 5, 2021	Taiwan Investors Relation Institute	Information security and risk trend analysis	3 hrs
		Dec 20, 2021	Taiwan Investors Relation Institute	The latest international EGS policy and trend analysis	3 hrs

Title	Name	Date	Organizer	Training Course	Time
Director	Ho Yuan International Investment Co., Ltd. Representative: Pen-Ching Cheng	Nov 5, 2021	Taiwan Investors Relation Institute	Information security and risk trend analysis	3 hrs
		Dec 20, 2021	Taiwan Investors Relation Institute	The latest international EGS policy and trend analysis	3 hrs
Director	Yinge Int. Inv. Co., Ltd Representative: Li-Chong Huang	September 1, 2021	Financial Supervisory Commission (FSC)	The afternoon session of the 13th Taipei Corporate Governance Forum	3 hrs
		Nov 5, 2021	Taiwan Investors Relation Institute	Information security and risk trend analysis	3 hrs
		Dec 20, 2021	Taiwan Investors Relation Institute	The latest international EGS policy and trend analysis	3 hrs
Director	Creative Sensor Co., Ltd. Representative: Johnson Hou	August 9, 2021	Taiwan Corporate Governance Association	How the Company have risk management in response to COVID-19	3 hrs
		September 15, 2021	Digital Governance Association	Director and supervisor responsibility and risk management workshop	3 hrs
Director	Song-Ren Fang	May 7, 2021	Taiwan Corporate Governance Association	Corporate governance and enterprise operating management	3 hrs
		September 1, 2021	Financial Supervisory Commission (FSC)	The afternoon session of the 13th Taipei Corporate Governance Forum	3 hrs
Independent Director	Wei-Chi Liu	May 12, 2021	Accounting Research and Development Foundation	Era of sustainable industrial competitiveness	3 hrs
		August 10, 2021	Taiwan Corporate Governance Association	Asset safety accident response practice under the new normal of post epidemic	3 hrs
Independent Director	Hsieh-Hsing Huang	August 10, 2021	CPA Associations R.O.C. (Taiwan)	Analysis of the latest tax laws and practices in the first half of 2021	4 hours
		August 19, 2021	CPA Associations R.O.C. (Taiwan)	CPA's responsibility and response to shareholder disputes	3 hrs
		August 26, 2021	CPA Associations R.O.C. (Taiwan)	Accounting Standards: Accounting treatment of investment in affiliated enterprises	3 hrs
		September 1, 2021	Financial Supervisory Commission (FSC)	The morning session of the 13th Taipei Corporate Governance Forum	3 hrs
		Nov 5, 2021	Taiwan Investors Relation Institute	Information security and risk trend analysis	3 hrs
Independent Director	Li-Chen Lin	August 27, 2021	Taiwan Corporate Governance Association	Employee Compensation Strategies and Tools	3 hrs
		August 27, 2021	Taiwan Corporate Governance Association	The latest development and countermeasures of cross-strait anti-tax avoidance	3 hrs
		September 1, 2021	Financial Supervisory Commission (FSC)	The morning session of the 13th Taipei Corporate Governance Forum	3 hrs
		September 1, 2021	Financial Supervisory Commission (FSC)	The afternoon session of the 13th Taipei Corporate Governance Forum	3 hrs
Independent Director	Shiang-Chung Chen	April 9, 2021	Taiwan Corporate Governance Association	Global economy outlook for 2021	3 hrs
		Nov 5, 2021	Taiwan Investors Relation Institute	Information security and risk trend analysis	3 hrs

C. Advanced studies for managing officers in 2021:

Title	Name	Date	Organizer	Traning course	Time
President	Jau-Tsu Lien	Nov 5, 2021	Taiwan Investors Relation Institute	Information security and risk trend analysis	3 hrs
		Dec 20, 2021	Taiwan Investors Relation Institute	The latest international EGS policy and trend analysis	3 hrs
Business Group President	Fei-Yuan Kao	Nov 5, 2021	Taiwan Investors Relation Institute	Information security and risk trend analysis	3 hrs
		Dec 20, 2021	Taiwan Investors Relation Institute	The latest international EGS policy and trend analysis	3 hrs
Business Group President	Sung-Pin Chang	Nov 5, 2021	Taiwan Investors Relation Institute	Information security and risk trend analysis	3 hrs
Business Group President	Chi-Tseng Peng	Nov 5, 2021	Taiwan Investors Relation Institute	Information security and risk trend analysis	3 hrs
		Dec 20, 2021	Taiwan Investors Relation Institute	The latest international EGS policy and trend analysis	3 hrs
Assistant Vice President	Sheng-chyuan Lin	Nov 5, 2021	Taiwan Investors Relation Institute	Information security and risk trend analysis	3 hrs
General Director of TECO group research intitue	Kun-Yao Ho	Nov 5, 2021	Taiwan Investors Relation Institute	Information security and risk trend analysis	3 hrs
Corporate Governance Officer	Shih-Hsiung Chien	Jan 5, 2021	Taiwan Business Council for Sustainable Development	2020 Taiwan Sustainable Finance Forum - building a sustainable financial ecosystem	3 hrs
		Sept 30, 2021	Independent Director Association Taiwan	Board case - simulated exercise	3 hrs
		Nov 5, 2021	Taiwan Investors Relation Institute	Information security and risk trend analysis	3 hrs
		Nov 15, 2021	Taiwan Institute of Directors	The 10th Chinese Family Enterprise Annual Forum	3 hrs
		Dec 20, 2021	Taiwan Investors Relation Institute	The latest international EGS policy and trend analysis	3 hrs
Accounting Chief	Tommy Wu	Nov 5, 2021	Taiwan Investors Relation Institute	Information security and risk trend analysis	3 hrs
		Dec 20, 2021	Taiwan Investors Relation Institute	The latest international EGS policy and trend analysis	3 hrs

D. The situation of resignation in the Company:

Title	Name	On Board Date	Date of resignation	Reason
Director	Mao-Hsiung Huang	July 23, 2021	October 1, 2021	Change the representative
Director	Yu-Ren Huang	July 23, 2021	Dec 30, 2021	Change the representative

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.

In accordance with the Company's "Criteria for Nomination of Candidates for Directors", candidates for directors were selected and nominated by the "corporate governance and sustainability committee" in Q1, 2021, and formally nominated at the shareholders' meeting after being submitted to the board of directors for review. 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. The company implements the board diversity policy in accordance with the "Corporate Governance Best Practice Principle". Currently, 11 directors (including 4 independent directors) were elected at 2021 Shareholders' Meeting (July 23, 2021) with diverse and complementary industry experience and professional capabilities in finance, finance and accounting. Independent directors increase from 20% to 36.36%; the number of female directors increased to 2, accounting for 18.18% from 6.67%.

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.

The succession plan of important management is planned to meet the strategic development of the Company. In case of vacancy of important management positions due to the strategic layout of the Company, the priority is given to personnel from the succession talent pool. The succession plan is described below:

- I. Targets: The succession plan for important managers mainly aims at assistant managers, acting president of business groups, acting president and other appointed managers.
- II. Selection criteria: In addition to work ability and performance, the successors shall demonstrate five values advocated by the Company, such as ambition, customer orientation, teamwork, integrity and innovation, as well as macro and inclusive leadership, and with operation and management ability and thinking.
- III. Practices:
 - (1) Talent pool: Director-level managers will be selected in the succession talent pool of important management.
 - (2) Selection: Through talent evaluation and review, the Company will regularly check the availability of the talent pool, and tailor individual career development plans according to the short, medium and long-term succession needs of the group.
 - (3) Training development: Tutor system, rotation and assignment, management functional training, personal development plan.

Mr. Jau-Tsu Lien, the president, joined the TECO Group in 2001. He successively led the heavy industry division, the information electronics business group, the new business promotion center, and the electrification product division. He took over as the Acting President in 2018 and was appointed as President in December 2020. President Lien is expected to retire on April, 2022, due to age limit. The new president, Thomas Fann, who will join the TECO group on April 7, 2022, is a professional manager with extensive experience. TECO expects the new president will inject new element of mindset and innovation to the company's operation.

3.3.9 Internal Control System

1. Please refer to page 82 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

- March 2, 2021 The board of directors resolved to convene a regular shareholder meeting on 05/25/2021 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 03/27/2021~05/25/2021. 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
- As the shareholders' meeting is affected by COVID and some of the originally leased venue transferred to the Ministry of Foreign Affairs for travel bubble by the organizer, upon the authorization of the board, the chairman changes the venue to No. 11, Andong Rd, Zhongli District, Taoyuan City (Zhongli Plant of the Company).
- March 23, 2021
- (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.
- April 12, 2021 The board of directors reviewed and approved the proposal of shareholders who hold more than 1% of shares of the Company, and submitted it to the 2021 shareholders' meeting for resolution.
- May 7, 2020
- (1) The consolidated financial report for the first quarter of 2021 was submitted to the board of directors, which shows that the consolidated operating income was NT\$11,991,051 thousand, the cumulative net profit before tax was NT\$1,432,149 thousand, the cumulative net profit attributable to the parent company was NT\$1,101,644 thousand with the basic earnings per share was NT\$0.53.
 - (2) The board of directors resolved to pay cash dividend NT\$1.15 per share, as total amount of NT\$ 2,459,616 thousand. The ex-dividend base date was June 15, 2021, and the cash dividend payment date was July 12, 2021.

- July 6, 2021 In response to the “Measures relating to the extension of the shareholders’ meeting of the public company affected by COVID-19” announced by the Financial Supervisory Commission, the board of directors extended the shareholders’ meeting in 2021 to July 23, 2021.
- July 23, 2021 Important resolutions in Annual Shareholders’ Meeting
- (1) Acknowledged 2020 business report and financial statement (proposed by the board).
 - (2) Acknowledged 2020 profit distribution plan (proposed by the board)
 - (3) Selected the 26th board of directors (including independent directors) of the company (proposed by the board)
 - (4) Approved the proposal for the removal of the non-competition restrictions for the 26th directors (including independent directors). (proposed by the board)
 - (5) Disapproved the review and improvement of reinvestment enterprises. (Proposal by shareholders who hold more than 1% of shares)
 - (6) Special motion:
The board of directors of TECO is suggested to discuss the public acquisition of Creative Sensor Inc., resulted in the Company holding more than 51% shares, and such propose is submitted for resolution. The proposed shareholders suggested that the board of directors and independent directors of TECO should actively assist Yu-Rui Co., Ltd. and An Fu International Investment Co., Ltd. to successfully acquire Creative Sensor Inc. and TIS. It also suggested that the board of directors should actively plan for consolidation in other ways, including taking back the ownership of these two companies through public acquisition. (Proposal by shareholders who hold more than 1% of shares)
- July 23, 2021 Chairman was selected at the first meeting of the 26th board of directors.
- August 6, 2021 (1) The consolidated financial report for the second quarter of 2021 was submitted to the board of directors, which shows that the consolidated operating income was NT\$25,477,693 thousand, the cumulative net profit before tax was NT\$3,189,836 thousand, the cumulative net profit attributable to the parent company was NT\$2,538,250 thousand with the basic earnings per share was NT\$1.21.
- (2) The board of directors approved the appointment of members of the new "Compensation Committee".
- Nov 5, 2021 Submission of 2021 Q3 consolidated financial report to the board of directors, which shows that consolidated operating revenue stood at NT\$38,718,953 thousand, pre-tax profit reached at NT\$ 5,305,006 thousand and net income attributable to the parent company is NT\$4,116,999 thousand in the first three quarters of 2021, with earnings per share reaching NT\$1.96.
- Dec 20, 2021 The board approves to increase two seats for the Compensation Committee, i.e. Hsieh-Hsing Huang (independent director) and Li-Chen Lin (independent director).
- March 3, 2022 The board of directors decided to convene the shareholders' meeting on May 20, 2022 at No. 11, Andong Rd, Zhongli District, Taoyuan City (Zhongli Plant of the Company), and the cessation of transfer period was from March 22, 2022 to May 20, 2022.
- March 16, 2022 (1) 2021 consolidated financial report resolved by the board of directors, which shows that the consolidated operating income of NT\$52,557,027 thousand, accumulated net profit of NT\$6,151,878 thousand in the current period, accumulated net profit attributable to the owner of the parent company of NT\$5,013,134 thousand, and accumulated basic earnings per share of NT\$2.38.
- (2) The board of directors approved the directors and employees' bonus of NT\$ 303,727 thousand and directors' remuneration of NT\$85,273 thousand in 2021. The above amount will be distributed in cash.
- (3) The board of directors approved the retirement proposal of President Jau-Tsu Lien and newly appointed President Thomas Fann. The new appointment takes effective on April 7, 2022.
- (4) The Board of Directors resolved cash dividend NT\$1.35 per share with the total amount NT\$

2,887,375 thousand.

- (5) The board of directors approved the amendment to the company's "procedures for the acquisition or disposal of assets" and submitted it to the 2022 shareholders' meeting for resolution.

B. Implementation of Resolutions made in Annual Shareholders' Meeting on July 23, 2021.

Number	Resolution	Implementation
1.	Acknowledged 2020 business report and financial statement. (proposed by the board)	※ The proposal was approved by the participating Shareholders with 97.32% approved percentage.
2	Acknowledged 2020 profit distribution. (proposed by the board)	※ The proposal was approved by the participating Shareholders with 97.34% approved percentage.
3	Selected the 26th board of directors (including independent directors) of the company (proposed by the board)	1. 11 directors (including 4 independent directors) were elected at the 26th board of directors for a term of three years from July 23, 2021 to July 22, 2024. 2. The appointment of new directors was approved by the Department of Commerce, the Ministry of Economic Affairs, for registration on August 27, 2021 (No. 11001140540).
4	Lifted the restrictions on non-competition of the 26th board of directors (proposed by the board)	※ The proposal was approved by the participating Shareholders with 91.48% approved percentage.
5	Review and improvement of reinvestment business (Proposal by shareholders who hold more than 1% of shares)	※ The proposal was disapproved by the participating Shareholders with 30.59% approved percentage.
6	Special motion: The board of directors of TECO is suggested to discuss the public acquisition of Creative Sensor Inc., resulted in the Company holding more than 51% shares, and such propose is submitted for resolution. (Proposal by shareholders who hold more than 1% of shares)	※ The proposal was approved by the participating Shareholders with 54.41% 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

Title	Name	On Board Date	Date of Resignation	Reason
Head of Internal Audit	Dora Lin	Oct 12, 2009	April 12, 2021	Position Change

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	2021	

3.4.2 Table of Brackets for CPA Fees

Unit: NT\$ thousand

Name of accounting firm	CPA names	Auditing period	Auditing fee	Non-auditing fee	Total	Note
Pricewaterhouse Coopers	Wu, Yu-Lung	2021/1/1~12/31	13,530	-	13,530	
	Chou, Chien-Hung					
Pricewaterhouse Coopers	Hsu, Li-Chen	2021/1/1~12/31	-	2,300	2,300	Note
	Huang, Ching-Yen					

Note: The above-mentioned non-audit fee is mainly for three-tiered TP documentation review, tax administrative relief and inventory scrapping, etc.

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	2021		Mar. 31, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Tong Kuang Investment Co., Ltd. Representative: Chwen-Jy Chiu	(150,000)	11,300,000	0	0
		0	0	0	0
Director	Tong Ho Global Investment Co., Ltd. (Note 1) Representative : Cheng-Tsung Huang	0	0	0	0
		0	0	0	0
Director	Ho Yuan International Investment Co., Ltd. Representative: Pen- Ching Cheng	19,232,000	0	3,002,000	0
		0	0	0	0
Director	Ying Int. Inv. Co., Ltd Representative : Li-Chong Huang	1,400,000	0	6,700,000	0
		0	0	0	0
Director	Creative Sensor Inc. (Note 2) Representative: Johnson Hou	46,579,000	15,700,000	0	0
		0	0	0	0
Director	Show-Shoun Chou	0	0	0	0
Director	Song-Ren Fang	0	0	0	0
Indepent Director	Wei-Chi Liu	0	0	0	0
Indepent Director	Hsieh-Hsing Huang	0	0	0	0
Indepent Director	Li -Chen Lin	0	0	0	0
Indepent Director	Shiang-Chung Chen	0	0	0	0

Note 1: The representative of Tong Ho Global Investment Co., Ltd changed from Mao-Hsiung Huang to Cheng-Tsung Huang on October 1st 2021.

Note 2: The representative of Creative Sensor Inc. changed from Yu-Ren Huang to Johnson Hou on December 30th 2021.

Note3: Changes in shareholdings are calculated based on the shareholder register or the number of shares held by shareholders announced in accordance with the law.

3.7.1.2 Changes in Shareholding of Managers

Unit: Share

Title	Name	2021		Mar. 31, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
President	Jau-Tsu Lien	0	0	0	0
Business Group President	Sung-Pin Chang	0	0	0	0
Business Group President	Chi-Tseng Peng	0	0	0	0
Business Group President	Fei-Yuan Kao	0	0	0	0
Assistant Vice President	Sheng-Chyuan Lin	0	0	0	0
General Director of Teco Group Research Institute	Kun-Yao Ho	0	0	0	0
Corporate Governance Officer	Shih-Hsiung Chien	0	0	0	0
Accounting Chief	Tommy Wu	0	0	0	0

Note 1 : Hong-Hsiang Lin retired on July 17 2021; Kuo-Min Chen resigned on July 30 2021; Hank Horng's position was adjusted on November 5 2021.

Note 2 : Changes in shareholdings are calculated based on the shareholder register or the number of shares held by shareholders announced in accordance with the law.

3.7.1.3 Changes in Shareholding of Major Shareholders

Unit: Share

Title	Name	2020		Mar. 31, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Major Shareholder	Walsin Lihwa Corporation	16,663,000	0	0	0

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, 2022

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%	0	0%	None	-	-
Walsin Lihwa Corporation	230,438,730	10.77	0	0%	0	0%	None	-	-
Jaryuan Investment Co. Ltd	135,653,000	6.34	0	0%	0	0%	Ho Yuan International Investment Co., Ltd.	Related party	-
Creative Sensor Co., Ltd.	77,519,000	3.62	0	0%	0	0%	None	-	-
Ho Yuan International Investment Co., Ltd.	45,701,000	2.14	0	0%	0	0%	Jaryuan Investment Co. Ltd	Related party	-
Silchester International Investors International Value Equity Trust	45,069,000	2.11	0	0%	0	0%	None	-	-
Tong Kuang Investment Co., Ltd.	31,991,364	1.50	0	0%	0	0%	None	-	-
WGI Emerging Markets Smaller Companies Fund, LLC	30,859,000	1.44	0	0%	0	0%	None	-	-
Norges Bank	28,878,193	1.35	0	0%	0	0%	None	-	-
Kuan Yuan Industrial Co., Ltd.	26,833,919	1.25	0	0%	0	0%	None	-	-

3.9 Long-Term Investments Ownership

December 31, 2021

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.	74,409,668	100.00%	0	0.00%	74,409,668	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%
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%	1	0.00%	1,500,000	99.99%
Tong An Investment Co., Ltd.	508,860,935	99.60%	2,043,618	0.40%	510,904,553	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.	6,952,885	57.52%	1,936,069	16.02%	8,888,954	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%
An Tai International Investment Co., Ltd.	34,850,007	100.00%	0	0.00%	34,850,007	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.	7,420,844	93.38%	390,570	4.92%	7,811,414	98.30%
A-Ok Technical Co., Ltd.	1,950,000	86.67%	0	0.00%	1,950,000	86.67%
TECO Technology (Vietnam) Co., Ltd.	0	100.00%	0	0.00%	0	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%	7,740,800	8.11%	31,862,500	33.38%
Eagle Holding Co.	1	100.00%	0	0.00%	1	100.00%
Century Development	100,592,884	28.67%	84,513,508	24.08%	185,106,392	52.75%
Teco Sun Energy	2,100,000	30.00%	2,100,000	30.00%	4,200,000	60.00%
Temico International Pte. Ltd.	5,448,000	60.00%	0	0.00%	5,448,000	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, 2022

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, 2022

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	3	54	296	87,487	500	88,340
Shareholding (shares)	7,286,975	30,540,729	1,105,929,876	521,678,736	473,360,300	2,138,796,616
Percentage	0.34%	1.43 %	51.71 %	24.39 %	22.13 %	100%

4.1.3 Shareholding Distribution Status

The par value for each share is NT\$10

March 31, 2022

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	46,695	8,102,668	0.38%
1,000 ~ 5,000	29,538	64,777,435	3.03%
5,001 ~ 10,000	5,670	43,366,588	2.03%
10,001 ~ 15,000	1,934	23,983,192	1.12%
15,001 ~ 20,000	1,101	20,091,785	0.94%
20,001 ~ 30,000	1,149	28,811,533	1.35%
30,001 ~ 40,000	468	16,514,228	0.77%
40,001 ~ 50,000	360	16,487,570	0.77%
50,001 ~ 100,000	657	46,750,788	2.18%
100,001 ~ 200,000	299	42,316,792	1.98%
200,001 ~ 400,000	184	51,788,934	2.42%
400,001 ~ 600,000	68	34,003,589	1.59%
600,001 ~ 800,000	33	22,850,401	1.07%
800,001 ~ 1,000,000	26	23,504,081	1.10%
1,000,001 or over	158	1,695,447,032	79.27%
Total	88,340	2,138,796,616	100.00%

4.1.4 List of Major Shareholders

March 31, 2022

Shareholder's Name	Shares	Percentage
PJ Asset Management	373,237,991	17.45%
Walsin Lihwa Corporation	230,438,730	10.77%
Jaryuan Investment Co. Ltd	135,653,000	6.34%
Creative Sensor Co., Ltd.	77,519,000	3.62%
Ho Yuan International Investment Co., Ltd.	45,701,000	2.14%
Silchester International Investors International Value Equity Trust	45,069,000	2.11%
Tong Kuang Investment Co., Ltd.	31,991,364	1.50%
WGI Emerging Markets Smaller Companies Fund, LLC	30,859,000	1.44%
Norges Bank	28,878,193	1.35%
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	2020	2021	March 31, 2022 (Note 5)
Market Price per Share (Note 1)			
Highest Market Price	31.10	36.6	33.5
Lowest Market Price	23.00	26.8	28.5
Average Market Price	27.83	31.12	30.47
Net Worth per Share			
Before Distribution	31.42	41.71	-
After Distribution	30.27	40.36	-
Earnings per Share			
Weighted Average Shares (thousand shares)	1,939,447	2,105,523	-
Earnings Per Share	1.81	2.38	-
Dividends per Share			
Cash Dividends	1.15	1.35	-
Stock Dividends			
• Dividends from Retained Earnings	0	0	-
• Dividends from Capital Surplus	0	0	-
Accumulated Undistributed Dividends	0	0	-
Return on Investment			
Price / Earnings Ratio (Note 2)	15.38	13.08	-
Price / Dividend Ratio (Note 3)	24.20	23.05	-
Cash Dividend Yield Rate (Note 4)	4.13%	4.34%	-

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\$1.35 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 2021 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	\$ 303,727
Employee Bonus – in Stock	0
Directors' Remuneration	<u>85,273</u>

Employee remuneration and directors' remuneration increased by NT\$367 thousand compared to the number of NT\$388,633 thousand recognized in the 2021 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	284,575
Directors' Remuneration – Cash	109,939
Total	394,514

The actual allotment amount decreased by 16,539 thousand compared with the amount recognized in the account, which was recorded as profit or loss for 2021.

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 Srockholders' 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 and Restricted Stock Awards

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 & Machinery Co., Ltd. acquires shares of Walsin Lihwa Corporation
Opinions of the lead securities underwriter in the fourth quarter of 2021
(Translation)

TECO Electric & Machinery Co., Ltd. (hereinafter referred to as TECO) issued new shares in 2020 to exchange the shares of Walsin Lihwa Corporation (hereinafter referred to as Walsin Lihwa). The Financial Supervisory Commission issued the letter No. 1090377122 certifying the effective filing on December 16th, 2020, taking January 6th, 2021 as the base date for the stock exchange, and the change registration was completed on January 14th of the same year. According to Article 9, Paragraph 1, Subparagraph 8 of the “Guidelines for the Raising and Issuance of Securities”, TECO contacted the lead securities underwriter regarding the transfer of Walsin Lihwa shares. As of the fourth quarter of 2021, it provided TECO with opinions on the impact of finance, business, and shareholders’ equity.

1. The financial impact of acquiring the 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. In addition to the gradual growth in revenue, TECO 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's products. On the whole, this share swap alliance is conducive to TECO's profit, so it should have positive financial benefits.

In addition, from the perspective of TECO’s financial structure and solvency ratio, TECO’s debt ratio in the third quarter of 2021 was 30.30%; the current ratio and quick ratio were 215.93% and 151.05%, respectively. TECO’s financial structure is stable and debt-paying ability is good. The acquisition of shares has no significant impact on TECO’s financial structure. The strategic alliance of both parties is expected to improve TECO’s overall operating performance and provide positive financial benefits.

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

TECO is mainly engaged in various types of machinery and equipment, power generation, power distribution equipment, and electrical appliances, which are used in data centers, renewable energy (including offshore wind power) and energy storage, comprehensive development projects, public works and transportation engineering, medical biotechnology and plants, etc. The copper wire, power cable, communication cable, and stainless steel produced by Walsin Lihwa are widely used in infrastructures such as power transmission, telecommunication networks, transportation, and industrial production. Both companies have their own niches and market segments in product categories and sales channels. The strategic alliance will help both companies enhance their respective areas of expertise. In the future, customer marketing and production lines will complement each other through the integration of the Groups’ resources and cross-marketing, providing the

customers of both companies with more diverse and complete products and services. This will increase market recognition and brand value, and the companies will gain more opportunities to work with major international companies, thereby improving overall competitive advantage. Since 2021, through the existing mature technology and products of TECO's 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 solar 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 acquiring the 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 industry competitiveness of the two companies, and create positive value for their respective shareholders. In addition, after TECO issues new shares and acquires Walsin Lihwa's shares, TECO's shareholding in Walsin Lihwa will account for 5.9841% of the total issued shares of Walsin Lihwa. Furthermore, considering that Walsin Lihwa's net income for the third quarter of 2021 was NT\$10,161,952 thousand, TECO will share its profit in the future and receive cash dividends based on the investment ratio, which will generate stable cash inflow 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 Corporation (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 Corporation
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	183,034,898
	Total Liability	75,088,630
	Total Shareholders' Equity	107,946,268
	Operating Revenue	156,664,766
	Gross Profit	19,809,465
	Operating Profit	13,345,552
	Net Income	15,257,314
EPS		4.27

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	53.0%
Home Appliances and Air Conditioners	13.2%
Mechatronic Engineering and Electrical Equipment	11.1%
Others	22.7%
Total	100%

B. Products and service nowadays

a. Electrification and Automation Products

- Medium to large voltage motor (125-60,000 HP)
- Low voltage permanent-magnet motor (1-400HP) & Induction motor (1/4-500HP)
- Motor and drive products for electric vehicle power system (50-250 kW)
- 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)
- AGV (automated guided vehicle) smart platform
- Industrial Motor Drive Products (Inverter/Servo Drive)

b. Home appliance and air conditioner

- Air-conditioning (residential air conditioner, commercial air conditioners, multiple inverters, machine room air conditioners, 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)
- Refrigeration products (inverter condensing unit, evaporator unit, brine unit)

c. Mechatronic Engineering and Electrical 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 system, omprehensive 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)

d. Other

- Home delivery and other professional logistics and distribution services

- Design, development, production and sales of communication products
- Information software, data processing and electronic information supply business
- Real estate lease
- Manpower dispatch
- Residential and building development and rental and sales business
- Financial commodity investment

C. New products development

a. Electrification and Automation Products:

In response to the development trend of industrial applications in the industry, and adhering to TECO's core values of "energy conservation, emission reduction, intelligence, and automation", it plans to develop the following new products: MW-grade 2 pole inverter duty motor, motor for vertical circulating pump in power plant, high and low-voltage low-speed direct-drive permanent magnet motors, IE5 ultra high efficiency permanent magnet motor, traction motors for rail vehicles, motor and drive power system for electric bus, compact industrial inverter, next-generation high-end servo drive, MV510 medium voltage inverter multi-mode control, MV510 engineering inverter. 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, offshore wind turbine technology, new-generation insulation system, and power-assist motor system for two-wheeled vehicles, etc.

b. Air conditioner and home appliance:

To meet consumers' demand for clean air, forge series of smart energy-conserving air conditioners, taking into account the indicators of temperature, humidity, and cleanness. Integrate ceiling-concealed ventilation with energy recovery, energy recovery ventilation (ERV), dehumidifier, and warm-air machine, for coupling with multiple-split energy-conserving air conditioners, with APP central control, thereby forming a cozy anti-epidemic residential air-quality solution.

- 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, which is capable of stable operation even at 10% partial load, thereby attaining cool-air output and constant temperature, as well as optimal energy conservation, especially venues with around-the-clock demand for cool air and large load fluctuation, such as hospitals and restaurants.
- 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. Mechatronic Engineering and Electrical Equipment

In order to integrate the diversified industrial products within the group and maximize the comprehensive benefits, the Company will vigorously promote the expansion of smart energy products. The planned items are as follows:

- I. In response to the demand for imported products in the market, TECO signed an agency agreement with Schneider Electric, focusing on mid-level products; in order to enhance the diversity of our product line and show TECO's ambition to expand the market through strategic alliances.
- II. In the green energy industry, solar DC products and power conditioners for energy storage systems are launched to realize bidirectional conversion and connection of AC and DC power. It is suitable for the energy exchange of solar power generation to charge and discharge the energy storage battery, and to control and manage the charge and discharge of the battery.
- III. Continue to improve industrial energy conservation and intelligence, launch remote control switches (RCS). Continue to add growth momentum to the Intelligence Energy business group and actively integrate the group's resources, focusing on new opportunities in the energy industry.

5.1.2 Industry Overview

A. Industrial status and development and association among industrial upstream, midstream, and downstream sectors

(a) Electromechanical system and automation

Upstream	Silicon steel sheet, copper wire, aluminum, insulating material, power crystal, etc.
Midstream	Electromechanical system and automation equipment manufacturers Status and major manufacturers: TECO, Tatung, Shihlin, Fortune, ABB, SIEMENS, WEG, Delta, Yaskawa, Omron
Downstream	Corporate customers: Power plant, steelmaking plant, petrochemical, metallurgy, water treatment, automation equipment

(b) Air conditioners and home appliances

Upstream	Copper, aluminum, steel, electronic substrate, motor, compressor
Midstream	Air conditioner and home appliances manufacturers Status and major manufacturers: TECO, Tatung, Sampo, Matsushita, Hitachi, LG, LG
Downstream	Dealers, mass merchandisers, end customers, enterprises, government agencies, construction firms

(c) Electromechanical engineering

Upstream	Design & consulting, electromechanical materials, equipment suppliers, integrated software suppliers, installation firms
Midstream	Electromechanical engineering & electric equipment firms
Downstream	Status and major enterprises: TECO, Fortune, Tatung, Star Energy, CTCL, L & K, Acter

B. Product development trends and competition

(a) Electrification Product Industry

Development trend for motor is in the direction of high energy performance, energy conservation, and carbon abatement. 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. Climate change has become the major threat for global sustainable development and zero net carbon emission has become the world's common vision.

As a leading branded manufacturer of electromechanical systems, TECO has been actively pushing "green products," integrating ultra high-efficiency motor, speed reducer, medium- and low-voltage inverter, permanent-magnet direct-drive system, and servo system, for the provision of complete power driven systems and related services, helping customers attain the goal of "safety and stability, high performance, and carbon neutrality." 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. With R&D centers set up in Taiwan, the U.S., and mainland China, the company is capable of producing a complete range of motors, including 1/4HP-100,000 HP low- and medium-voltage motors and 14.5 kV ultra-high voltage motors, which have passed multiple energy-performance accreditation, such as NVLAP (200378-0), TAF, and CSA. Moreover, TECO is the only Taiwanese company capable of providing integrated full-load motor + driver test. 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. Roll out new inverter capable of automatic adjustment, high-speed communication, safety production, and anti-noise jamming, which has been applied in the fields of intelligence and automation extensively. 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. Bucking the sluggish global auto market, due to chronic chip shortage, the e-vehicle market has scored phenomenal growth, thanks to a number of factors, carbon-abatement policy and subsidy of various government, enhancement of e-vehicle performance, and dropping manufacturing cost, notably batter, and expanding charging facilities.

(b) Air conditioner and home appliances industry

In line with the global current of energy conservation and carbon abatement, the Taiwanese government has become increasingly demanding in products' energy performance, prompting various brands to roll out high energy-performance products, a trend which tests the variable-frequency technological strength of enterprises in the field. Meanwhile, In order to cope with increasing costs from supply chain, companies have to raise product value to raise sales prices and alleviate shrinking margin. Taiwanese enterprises are confronted with increasing competition from Japanese firms, market leader with over 50% share whose prices are approaching local counterparts, on one hand, and low-price braded China-made products, on the other hand. Consequently, TECO has spare no effort in developing technology-intensive products, such as smart air conditioner, patented UVC module, and air management system, in order to boos brand value and product competitiveness.

In line with market trend, Air & Intelligent Life business group has integrate the group's resources in R&D, logistics, and information technology for development of smart, energy-conserving, healthy, and environment-friendly freezing, refrigerating, and air-conditioning solutions. In an reorganization in 2021, the company set up " Air & Intelligent Life business group, dedicated to the development of smart life-related products. The company has developed whole series of energy-conserving air conditioners, with energy performance topping government's grade 1 standards, on top of collaboration with government-sponsored research bodies in developing new energy-conservation technologies for application in technology innovation, merchandise innovation, and service innovation, so as to augment Taiwanese brands' international competitiveness.

(c) Mechatronic engineering and electrical equipment industry

In line with the green-energy trend for electromechanical engineering and electric equipment industry and the government's renewable-energy policy, the company has been engaged in the development of offshore wind farm, PV power-related energy storage systems and micro-grids, and turn-key engineering project for onshore substations of offshore wind power, which are carried out in collaboration with medium- and downstream-suppliers, with use of TECO-made major electric equipment.

In the aspect of energy and electric equipment, the traditional market of switchboards and generators, mainly sold to customers in construction, electronics, and steelmaking, has become saturated, vulnerable to change in economic environment and price competition. Therefore, the company has spared no effort in developing smart new-energy products, to meet emerging market demands for high-quality smart green-energy products. In devices, the company has developed control components for power consumption and as accessory to motors for use in machinery industry, as well as low-voltage devices for automatic-control industry, meeting the needs of smart green-energy market, on top of developing automation and energy-conserving products. Face with competition from peers, in addition to product improvement, grasp of competitors' tendency and government's policy direction is essential.

5.1.3 Research and Development

A. The company spent NT\$1,112,911 thousand on R&D in 2021. R&D expense is booked as NT\$268,354 thousand as of the end of March in 2022.

a. Industrial Motors Category

1. IE5 high efficiency permanent magnet motor
2. IE5 high efficiency explosion-proof permanent magnet motor
3. Cooling tower direct drive system
4. High efficiency synchronous reluctance motor and control
5. Large 2 pole inverter duty motor
6. Offshore wind turbine technology
7. Direct-drive motors and drive systems for electric vehicles

b. Automation and Intelligent System Category

1. Development of Dedicated servo drive products
2. Open industrial Ethernet Profinet high-speed communication card/module product development
3. Product development of compact and universal DC servo drive
4. Cobot Joint module (CJM) joint module product development
5. Development of frameless hollow shaft servo motor
6. Development of high-precision magnetic encoder
7. AGV unmanned guided vehicle control platform technology development
8. Development of next-generation servo drive
9. SLAM automatic navigation technology development
10. AMCL path positioning technology development
11. New generation power semiconductor SiC/GaN module drive technology
12. Development of smart mobile platform with low load (40kg)
13. Development of charging devices for smart mobile platforms
14. Follow-up cart product/module development

c. Renewable energy- green energy

1. Development of high-speed generator and drive for heat recovery system
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. TECO i-Air system development (An APP to integrate residential air conditioners / dehumidifiers / air cleaners to some One-Touch modes for customized scenarios)
4. Development of mobile Internet Home Inverter Air Conditioner Smart Diagnosis Service APP
5. Frequency conversion energy-saving refrigerator with free switching between fruits and vegetables

6. Research and development of high IPLV magnetic levitation centrifugal unit
 7. HVAC energy saving solution for Green Building (high efficiency equipment + expertise management system)
 8. High sensible heat air conditioners for data centers with high PUE requirement / raised floor configuration
 9. Development of 3~8HP condensing units (refrigeration and refrigeration applications in supermarkets/supermarkets/farmers' associations)
- 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

5.1.4 Long-term and Short-term Development

1. Electrification and Automation Products

The long-term business development plan aims to be the top three in the global market share in the 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 sales, the company's high-efficiency motors and automation products are mainly for application in fluid machines, food-making machines, conveyance system, rubber and plastic machines, air compressor, petroleum/ natural gas, and other industrial machines, while medium-and high-voltage medium- and large-scale motors are meant for use in petrochemical, power, hydraulic power, and air-conditioning industries, as well as some emerging fields, such as e-bus, e-commercial and -official vehicles, ships, and rolling stock.

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.

Given urgent need for energy transformation and industrial transformation of the manufacturing industry amid the trend of carbon neutrality and Industry 4.0, TECO has integrated the group's resources to offer customers complete low-carbon and smart manufacturing solutions. Taking improving the efficiency of motor drive systems as an example, TECO has solutions for high-efficiency motors and variable speed control, permanent magnet direct-drive systems to improve the efficiency of transmission systems, and digital solutions for motors and rotating equipment. To increase green power share, TECO, in addition to PV power and energy-storage systems, can help customers set up heat recovery system (HRS) with patented proprietary

technology, capable of recovering waste heat over 80°C for power generation. Meanwhile, the company smart factory solution contains key modules and products for meeting the needs of end customers and automation equipment suppliers, especially in the fields of smart logistics and smart transportation.

2. Air Conditioner and Home Appliance Products

In long-term business development plan, the company aims to become the primary air conditioner and home appliances in Taiwan and vigorously taps overseas markets.

Development of air conditioners and home appliances is in the direction of intelligence, energy conservation, health, and environment friendliness, in line with the global trend. Conforming to the government's goal of zero net emission by 2050 and its implementation strategy, such as grading of construction energy performance and other energy performance regulations and conservation policy for energy users, the company set up "Air & Intelligent Life business group" in a reorganization in 2021, dedicated to pushing smart life-related products. The company has developed a series of energy-conserving air conditioners, with energy performance topping government's grade 1 standards, on top of collaboration with government-sponsored research bodies in developing new energy-conservation technologies for application in technology innovation, merchandise innovation, and service innovation, so as to augment Taiwanese brands' international competitiveness.

In line with the government's zero emission goal, TECO, as a leading brand of air-conditioner in Taiwan, has offered major power consumers corporate air-conditioning solutions, containing not only products with grade 1 energy performance but also various energy management and control systems, including energy management health diagnosis, power consumption management, and indoor air-quality monitoring, which form an integrated one-stop air-conditioning service.

In home-use air conditioners, in line with the emergence of healthful anti-epidemic residences amid the pandemic, the company has developed household single- and multi-split type air conditioners, furnished with patented proprietary anti-epidemic UVC module and coupled with energy recovery ventilation (ERV), ceiling-concealed dehumidifier, and APP central control. In 2022, the company will raise further the energy performance of existing products, roll out new HSC air conditioner with energy performance topping grade-1 5% standard, embrace environment-friendly, energy-conserving, high energy-performance R32 refrigerant, and smart air system iAir solution, as part of the clean, healthful, space-saving, energy-conserving ESG product series, based on the concept of smart air innovator.

With an eye on post-epidemic new life style, TECO, based on its R&D strength in freezing and refrigeration, has forced a smart freezing and refrigerating cabinet, for no-contact retrieval of online-purchased products by consumers, thereby shortening the traveling routes of freezing and refrigerating logistics vehicles, in compliance with ESG core value.

In line with government's energy-conservation policy, TECO's whole-series household refrigerators, from 200-600L in capacity, embraces its patented proprietary variable-frequency technology. It plans to market a series of variable-frequency freezers in Q4 2022, as well as an energy-conserving and space-saving 600L refrigerator with options of freezing and refrigeration, which has won Taiwan Excellence Awards. The company's whole series of washing machines features variable frequency and has qualified for both national energy-conserving and water-saving marks. The company will continue developing new models of home appliances, under the auspices of corporate vision "energy conservation, emission reduction, intelligence, and automation," plus appealing looks, so as to enhance market penetration rates.

3. Mechatronic Engineering and Electrical Equipment

In long-term business development plan, with the aim of becoming the primary brand for smart energy engineering in Taiwan, TECO has spared no effort in tapping overseas markets. Adhering to the concept of "quality and innovation" and based on its abundant experience in smart energy engineering, plus conformance to the nation's energy policy, it has been engaged in such large-scale projects as offshore wind power, PV power, micro-grids, energy-storage systems, and electromechanical engineering projects. TECO has secured contracts for onshore substation engineering for offshore wind power totaling 2GW in scale, for 35% market share.

In line with the vigorous development of cloud-end industry TECO has secured contracts for construction of IDC rooms, both in Taiwan and abroad, totaling 170 MW in scale, injecting fresh momentum to the company's business growth. The company has also been pushing offshore substation engineering for offshore wind power and topping the emerging business opportunities of smart energy and overseas markets.

5.2 Market and Sales Overview

5.2.1 Market Analysis

A. Electrification and Automation Products

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 Africa.

b. Market Share (%) of Major Product Categories

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.

c. Market Trend of Major Product Categories

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. In general, motor market, especially high-efficiency motors, will expand, along with industrial and economic development. According to an Omdia report on motor market, global sales of IE4 motors top US\$250 million, for 2% market share. Due to EU MEPs demanding motors to meet IE4 standards by July 2023, IE4 motors are expected to score phenomenal growth in coming years, with compound annual growth rate (CAGR) expected to reach 18.6% during 2019-2024. Dedicated to the development of energy-conserving products, TECO already rolled out IE4 motors in 2015 and is developing IE5 models, as a result of which its motor business will continue growing at steady pace in coming years.

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

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

Favorable and unfavorable factors for 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

- In view of the rapidly increasing demands for high-efficiency models, TECO has developed IE5 motors, ready for shipment to market anytime.
- Due to Taiwanese firms returning to Taiwan to build factories, a result of Sino-U.S. trade war, and local government's incentives, demands for factory construction have 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.

(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

B. Home Appliances and Air-Conditioning Products

a. Sales (Service) Region

Home appliances are shipped mainly to the domestic market in Taiwan, China, and Australia, and it also develops markets in Southeast Asia and Japan.

b. Market Share (%) of Major Product Categories

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 11% for commercial-use air conditioners.

c. Market Trend of Major Product Categories

Sales of the company's air conditioners and home appliances in major markets are expected to grow further. As a leading brand in Taiwan's domestic market, the company landed the largest order among peers in the government project for air conditioners in elementary and senior high schools in 2021, underscoring the edge of its air conditioners. In 2022, the company has set its eyes on the construction market, with the appeal of building smart anti-epidemic healthful residences, which will further increase market penetration of the company's complete lineup of air conditioners. The company will step effort tapping overseas market, further augmenting the business scale of air conditioners.

In line with the government's 2050 net-zero emissions announcement and actions, the government will subsequently formulate a number of energy efficiency regulations, such as building energy efficiency classification and energy conservation policies for energy users, and other promotion strategies. There

are three main energy consumption supervision items for building energy efficiency classification: air conditioners, lighting, and electrical sockets. According to the statistical analysis of office building energy inspection published by the Energy Bureau of the Ministry of Economic Affairs, the main energy-consuming equipment in commercial buildings accounts for the annual electricity consumption of which air-conditioning energy consumption accounts for 41%. According to the official statistics in 2000, the baseline classification is 6, and it is moving towards zero-carbon buildings in stages (new public buildings and existing buildings and new buildings) The company's air-conditioning products cover various models in all fields, showing that TECO air-conditioning is ubiquitous. In addition to the Taiwan market, TECO also expands overseas markets and increases the scale of operations.

In recent years, the company has forayed into the market of magnetic-suspension centrifuge and the realm of civil engineering and green buildings, on top of rollout of IPLV chillers, expecting to scale significant sales growth in air conditioners and large chillers in coming years.

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

(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.
- In line with the core ESG concept, TECO took the initiative among fellow makers to adopt R32 refrigerant air conditioner production lines to produce energy-saving air conditioners in 2016 and rolled out air conditioners with energy performance higher than national standards. 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.
- To cope with market competition, TECO has launched directly supervised business team and e-commerce business team, stressing direct customer services and close customer communications, so as to enhance service quality and avoid sheer price competition.
- 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

- Faced with the competition of Japanese brands which own over 50% market share, TECO has strived to augment its products' technological level, jacking up costs.
- Supply-chain instability: Supply-chain costs rise further, material shortages and other risks increase, shipment fees remain high, and delivery for procurements lengthen.
- 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

- Transform directly managed e-commerce, expand online sales, and increase market share through high-efficiency and intelligent products, to provide visual installation of online quality services.
- 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.

C. Mechatronic Engineering and Electrical Equipment

a. Sales (Service) Region

The main sales area of mechatronic engineering and electrical 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

In appliance products, the company is Top 2 producer of circuit breaker, widely used in power distribution and machinery market. Domestic market share is around 16%.

c. Market Trend of Major Product Categories

In electromechanical engineering, the company has landed substantial amount of orders for installation of renewable-energy devices in Taiwan and abroad and is vigorously pushing PV power and wind power businesses, in line with the government goal of raising the share of renewable energy in power output to 20% by 2025 and installing 15 GW offshore-wind power capacities by 2026-2035. By the end of 2021, Taiwan had installed PV power systems totaling 7.7 GW in capacity and wind-power turbines with total capacity of 1.0 GW, which are expected to top 20 GW for PV power by 2025 and for wind power by 2035, respectively. Therefore, Taiwan has to build PV power systems totaling 12.3 GW in capacity by 2025, in order to attain the aforementioned target, representing market scale to the tune of NT\$615 billion, on top of NT\$1.3 trillion business opportunities for offshore wind power, which will offer a fertile ground for the development of local supply chain under the government's localization policy.

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

Competitive niche of the company's Mechatronic Engineering and Electrical Equipment:

- Abundant track record for large-scale engineering projects;
- Over 250-member engineering management team;
- Strong finance for working capital for large-scale projects;
- Good corporate image, backed by sustainability-related awards for seven consecutive years;
- Capacity for manufacturing electric equipment, including high-voltage switch, switchboard, air conditioning system, diesel-oil generator.

(a) Favorable Factors

- Excellent capability for engineering system integration;
- Expertise in IDC room;
- Largest market share for offshore-wind power onshore substations in Taiwan
- Largest supplier of energy storage systems for state-run Taiwan Power Company

(b) Unfavorable Factors

- Materials shortage and manpower shortage for engineering projects, as it is very difficult to recruit qualified engineering workforce and supervisors capable of speaking foreign language;
- Soaring materials prices

(c) Countermeasures

- Enhance the foreign-language and professional capabilities of in-house engineers;
- Inclusion of price-adjustment stipulation in contract, to cope with cost fluctuation;
- Negotiate the best price and long-term stable supply cost with material suppliers. Signing of long-term contracts with major materials suppliers to stabilize supply costs.

5.2.2 The Production Procedures of Main Products

Electrification and Automation 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 efficiency refrigerator, direct-drive inverter duty washing machine, dehumidifier, clothes dryer, small home appliances, home-delivery low-temperature cart, elevator air conditioner, cooling device for machine tool, low-temperature logistics freezer, heat-dissipation module for PC	Household, commercial, industrial use	Design, planning, assembly, and matching
LED Display, small home appliances	Home Entertainment	Design, Planning, Assembly
Chillers for centralized air-conditioning systems, package air conditioners, split-type air conditioners, inverter multi-evaporator VRF air conditioner, train air-conditioning systems, centrifugal chiller, IPLV chiller solution	Commercial, Industrial Applications; Transportation systems	Design, Planning, Assembly, Matching

Electromechanical Engineering and Power Equipment

Products	Use	Production Process
Turnkey project of Substation of offshore wind power, data center (IDC), energy storage system, solar photovoltaic power generation system, micro-grid system.	energy industry, power system	design, procurement, construction and maintenance
power system, low-voltage switches, etc.	power system	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 Clients (each commanding 10%-plus share of annual order volume)
Information for the Last Two Calendar Years : None.

5.2.5 Production over the Last Two Years

Unit: Units; NT\$thousand

Output Year		2020			2021		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products							
Electrification and Automation Products		3,662,052	1,407,223	12,774,576	3,662,052	1,654,221	15,399,086
Home Appliance & Air Conditioner		293,631	269,806	2,456,881	404,369	399,265	3,404,452
Power Equipment		9,974,842	5,678,837	2,753,191	9,974,842	7,084,492	3,342,250
Others(Tecom)		339,084	218,567	856,137	339,084	288,482	876,960
Total		14,269,609	7,574,433	18,840,786	14,380,347	9,426,460	23,022,747

5.2.6 Shipments and Sales over the Last Two Years

Unit: Units; NT\$thousand

Shipments & Sales Year		2020				2021			
		Local		Export		Local		Export	
Major Products		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Electrification and Automation Products		1,677,956	6,331,363	3,033,931	18,345,151	1,831,944	7,365,822	3,106,034	20,494,564
Home Appliance & Air Conditioner		607,190	4,688,120	125,834	655,561	651,566	6,124,108	140,914	793,986
Electromechanical Engineering and Power Equipment			5,052,682				5,809,995		
Other			9,651,529		1,099,024		10,369,691		1,598,861
Total		2,285,146	25,723,694	3,159,765	20,099,736	2,483,510	29,669,616	3,246,948	22,887,411

5.3 Human Resources

Year		2020		2021		March 31 2022	
		TECO	Global	TECO	Global	TECO	Global
Number of Employees		2,190	14,290	2,180	14,617	2,178	14,140
Average Age		42.7	40.9	43.4	41.0	43.7	41.2
Average Years of Service		14.7	9.9	15.1	9.9	15.3	9.9
Education	Masters above	14.8	6.7	13.8	6.4	13.9	6.5
	Bachelor's Degree	53.6	49.6	55.6	51.2	55.6	51.5
	Senior High School	26.2	32.5	25.9	31.1	25.7	30.6
	Below Senior High School	5.4	11.2	4.7	11.3	4.8	11.4

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. Proposed improvement measures

a. The improvement plan for environmental protection equipment

Layout of solar green power projects:

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; Zhongli plant obtained the solar green power certificate in March 2022; the solar energy layout will be rolled out in plants located in the Mainland and Southeast Asia.

Equipment process improvement:

65% of SF6 process emission had been improved at Hukou plant in 2021 with ongoing improvement. In 2022, the improved household appliances kicked off production to significantly reduce the thermal diffusivity of refrigerant and reduce production costs. Zhongli Plant introduced remote monitoring technology to know the environmental indicators around the plant anytime.

Zhongli plant leveraged TECO's existing control and motor technology to provide consumers with green energy-saving products, update the energy-saving equipment in the plant, strengthen the maintenance of existing equipment, reduce waste in the manufacturing process, improve the workplace environment, and advocate energy conservation, recycling of foundry cooling water and recycling of waste materials, so as to prevent pollution in compliance with legal standards.

b. Plan for management improvement

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

TECO fully promotes household appliances to use more environmentally-friendly R32 refrigerant, so as to greatly increase environment-friendly refrigerant at the final-user end. ESG is integrated into the daily management KPI to ensure the implementation of environmental improvement. In 2022, TECO will start to investigate the feasibility of introducing digital management, quickly learn the greenhouse emission status of the whole Company, and take improvement measures in case of any abnormality.

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 2005. TECO passed the external verification of annual greenhouse gas inventory (ISO 14064-1); major overseas bases will be covered in 2022. All employees are mobilized to continuously promote energy conservation and carbon reduction schemes. The energy conservation taskforce is established to promote the feasible plans. The solar energy system at Zhongli plant has obtained the green power certificate certification in mid March 2022.

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

2022	2023	2024
Coating equipment, continuous furnace, air pollution prevention, maintenance, improvement or addition	Coating equipment, continuous furnace, air pollution prevention, maintenance, improvement or addition	Coating equipment, continuous furnace, air pollution prevention, maintenance, improvement or addition
Activated carbon, filter, filter ball, etc. consumables replacement, organic solvent process	Activated carbon, filter, filter ball, etc. consumables replacement, organic solvent process	Activated carbon, filter, filter ball, etc. consumables replacement, organic solvent process
Baking oven air door, energy-saving spray booth, other energy-saving cases	Energy saving equipment, and other energy-saving schemes	Energy saving equipment, and other energy-saving schemes
Improvement of the process environment around the plant	Improvement of the process environment around the plant	Improvement of the process environment around the plant
Improvement of plant exhaust equipment	Improvement of plant exhaust equipment	Improvement of plant exhaust equipment
Replacement of conventional lighting products with energy-saving models and light hoods		
Replacing the old wastewater pipeline configuration project	Replacing old waste water pipelines	Replacing old waste water pipelines

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

2022	2023	2024
\$ 60,053	\$ 56,762	\$ 61,127

(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. By the end of 2021, the climate-friendly coating was up to 70.1%. Compared with the benchmark (179,029kg) in 2015, the total emission of volatile organic compounds (VOC) had been reduced by 65,385kg, a decrease of 36.5%.
- 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. In 2022, waste reduction is officially included in the management KPI, to strengthen the liability of all employees as to enforce energy conservation, emission reduction and waste reduction. The goal is to recycle 100% of the waste silicon steel produced during the production of motor.
- v. Set up energy-saving and carbon-reduction projects for each business group, and set a target of 50% emission reduction from 2021 to 2030 according to the benchmark of each company's greenhouse gas inventory. Each business group develops plans, and the ESG Promotion Office directly under the Board of Directors closely tracks the implementation status.
- 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. Utilize TECO's control systems and energy-saving technologies; provide consumers with green home appliances to reduce carbon dioxide production. It has saved 100 million kWh of electricity in three years and reduced greenhouse gas emissions by 53,105 metric tons/CO₂e, which is equivalent to the carbon absorption of 136 Daan Forest Parks.
- 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, the cost of electricity, and can get green electricity certificate
- ii. Recycle business waste to reduce commissioned processing fees
- iii. Improve air and water pollution, avoid losses due to fines
- iv. Avoid public nuisance disputes caused by environmental pollution
- v. Avoid losses caused by work suspension
- vi. 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 has been included in 2021 DJSI-Emerging Markets for the second year in a row. Winning full mark for "innovative management" and "talent cultivation," 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. Key Talent System: Key talents are the key cultivated talents below the company manager level. The key talents are discussed and reviewed every two years. In addition to the nominations recommended by the unit, colleagues are encouraged to recommend themselves. After the selection, the development status of each key talent has even become one of the department key performance indicator (KPI). 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. This year, through the cooperation with the National Chengchi University Business School, we promoted the brand marketing and digital transformation project courses, and cultivate key talents to become the company's digital transformation experts.
- c. 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
- d. Succession echelon evaluations: To cultivate talents with company operations and continuous growth, the company 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 both depth and breadth into account, outstanding talents can strive for the stage of development and promote their performance and ability. In addition, cultivate the height of its

thinking

- e. Succession planning of board members and important management: The Company emphasizes the succession planning at important management levels. In 2021, the Company held a high-level talent development review meeting to conduct internal review on the selection of successors for important managements. Each evaluated employee is given a briefing in terms of learning ability, strategic thinking ability, organizational logic ability and communication influence. A jury composed of the Company's top executives and experts from academia and industry evaluated a total of 11 middle and high-level candidates. Subsequently, TECO will also work with external professional institutions to plan the succession training and tutoring plan.

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 27.8% to 30.4%
- 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, patent bonuses, task 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 healthy and delicious employee meals, the company has set up full-time nursing staff in each factory area. health. At the same time, it promotes various health promotion activities, establishes various leisure and sports clubs, and provides spiritual growth courses 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.

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)	5	0
CPA (US)	3	0
Certified Internal Auditor	2	1
CFA	1	0
Securities, futures and investment trust investment advisory test organized by the Securities and Exchange Commission	5	0

E. In the most recent year and as of the publication date of the annual report, the losses from labor disputes (including the violation of the Labor Standards Act by the labor inspection results, the date of punishment, the number of the punishment, the violation of laws and regulations, the content of laws and regulations, and the content of the punishment should be listed), and disclosed If the estimated amount and countermeasures that may occur at present and in the future. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be explained.

The company has a harmonious labor relation, and the work rules are in line with relevant laws and regulations. However, due to violation of Article 22, Paragraph 2 of the Labor Standards Act in July 2010, "wages should be paid directly to laborers in full", a fine of NT\$20,000 was imposed. Please refer to the following table for relevant information:

Date	No	The violation of regulations	Content of regulations	Content of the punishment	Countermeasures
July 8, 2021	No.1100118971	Article 22, Paragraph 2 of the Labor Standards Act, "wages should be paid directly to laborers in full". However, this shall not apply if it is otherwise stipulated by law or otherwise agreed by the employer and the employee.	Did not pay the wage in full amount	A fine of NT\$20,000	This case was due to misunderstanding by employees. The company will strengthen publicity in the future.

5.6 Strengthening the Cyber Security Management

- A. TECO set up an Information Security Committee under the Corporate Governance and Sustainability Committee of the board of directors in Jan 2021, with the President as the chairman of the committee, responsible for coordinating the Company's information security policy and governance. In March 2021, the board of directors revised the computer information cycle, set up a special unit for information security and an information security executive to comprehensively facilitate information security policies and resource scheduling. In addition, TECO information security management system (ISMS) was verified by a third party on October 2021 and passed the ISO27001 international standard certification, improving the information security management policy and relevant management procedures.
- B. In the case of computer virus attack on December 2021, material information was released according to the regulations of the competent authority, and the main system was recovered before the end of 2021 with around NT\$3 million loss. In the future, the deployment of asset security defense system will strengthen endpoint detection and response, network abnormal traffic monitoring, intrusion detection and protection, complete system backup and asset security monitoring platform, and deepen defense in management and technology to reduce asset security risks.

5.7 Important Contracts

Agreement	Counterparty	Period	Major contents	Restrictions
1. Agency contract	Yu-Shih electric and others, totaling 1,021 companies	One year after the signing contract/starting of shipment, should any party fail to notify contrary opinion one month 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 1,213 days from the start date	Taiwan Taoyuan International Airport Terminal 3 Public Facilities Project (1) New Construction	Nil
3. Project Undertaking	Taoyuan International Airport Co., Ltd.	1. Signing date: August 31, 2021 2. Completed in 1,703 days from the start date.	The motor project at Taoyuan Airport Terminal 3 Area.	Nil
4. Project Undertaking	CIP Copenhagen Infrastructure Fund	1. Signing date July 31, 2019 2. will complete on June 30, 2022	Changfang and Xidao Offshore Wind Farm Substation early work agreement, condition of contract	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. Project Undertaking	Century Biotech Development Corporation	After notice of bid award, the construction shall be completed before September 30, 2022.	The new mechanical and electrical engineering of Taipei Nangang Biotechnology Industry Building (BOT).	Nil
7. Major credit contract	ANZ Bank, HSBC (Taiwan), and First Commercial Bank Co., Ltd, ...	From March 15, 2019, no later than March 12, 2025	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
8. Project Undertaking	Hai Long II Wind Power Co., Ltd. etc.	Started on Dec 24, 2021 and will complete on June 30, 2025	EPC project of onshore substation of Hailong offshore wind farm	Nil
9. Project Undertaking	Exyte Taiwan Co., Ltd.	The signing date is from June 27, 2019 to March 31, 2023	CHG-4 ELECTRICAL WORKS, CHG-5 ELECTRICAL WORKS	Nil

Agreement	Counterparty	Period	Major contents	Restrictions
10. Project Undertaking	China Steel Power Corporation	Signing date July 7, 2020. Will complete on Sep 30, 2024.	EPC project of onshore substation of China Steel Power offshore wind farm	Nil
11. Project Undertaking	CHUNG-LU Construction Co., Ltd.	From Sep 1, 2021 to June 15, 2023.	New construction project of Yangmei highly efficient plant for Walsin	Nil
12. Public project purchase	National Archives Administration, National Development Council and Construction and Planning Agency Ministry of the Interior	Signing date July 7, 2020. Will complete on August 31, 2024.	New project for National Archives	Nil

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Balance Sheet

A. Condensed Balance Sheet-IFRS

Unit: NT\$thousand

Year Item		Five-Year Financial Summary				
		2017	2018	2019	2020	2021
Current assets		9,781,308	10,343,772	9,287,505	10,468,388	12,277,831
Property, plant and equipment		3,761,489	3,739,530	3,520,118	3,093,090	3,056,759
Intangible assets		0	0	0	0	0
Other assets		57,232,136	58,712,398	62,737,576	68,034,837	94,767,823
Total assets		70,774,933	72,795,700	75,545,199	81,596,315	110,102,413
Current liabilities	Before distribution	9,350,717	8,468,684	11,002,572	10,139,131	11,450,161
	After distribution	11,073,033	10,239,608	12,950,588	12,598,747	14,337,536(Note)
Non current liabilities		9,594,451	10,648,356	7,836,123	9,628,889	9,438,489
Total liabilities	Before distribution	18,945,168	19,117,040	18,838,695	19,768,020	20,888,650
	After distribution	20,667,484	20,887,964	20,786,711	22,227,636	23,776,025(Note)
Equity attributable to owners of parent		51,829,765	53,678,660	56,706,504	61,828,295	89,213,763
Capital stock		20,026,929	20,026,929	19,676,929	19,676,929	21,387,966
Capital surplus		7,628,542	7,647,215	7,389,577	7,386,901	9,529,520
Retained earnings	Before distribution	22,469,336	25,221,021	26,390,805	27,936,917	30,727,392
	After distribution	20,747,020	23,450,097	24,442,789	25,477,301	27,840,017(Note)
Other equity interest		2,026,521	1,105,058	3,570,756	7,339,258	28,080,595
Treasury Stocks		(321,563)	(321,563)	(321,563)	(511,710)	(511,710)
Non-Controlling Interest		0	0	0	0	0
Total shareholders' equity	Before distribution	51,829,765	53,678,660	56,706,504	61,828,295	89,213,763
	After distribution	50,107,449	51,907,736	54,758,488	59,368,679	86,326,388(Note)

Note : Amounts resolved by the board meeting dated on March 16th 2022

B. Consolidated Condensed Balance Sheet-IFRS

Unit: NT\$thousand

Year Item		Five-Year Financial Summary				
		2017	2018	2019	2020	2021
Current assets		44,262,768	43,760,371	43,946,576	45,792,352	49,333,671
Fixed assets		17,922,299	17,363,543	16,742,830	15,912,788	15,196,458
Intangible assets		5,612,315	5,557,343	5,200,634	5,269,715	4,439,567
Other assets		24,219,575	25,300,029	33,204,364	38,704,216	67,642,754
Total assets		92,016,957	91,981,286	99,094,404	105,679,071	136,612,450
Current liabilities	Before distribution	18,742,356	18,141,380	20,293,826	19,618,968	23,074,011
	After distribution	20,464,672	19,912,304	22,241,842	22,078,584	25,961,386(Note)
Non Current liabilities		15,400,464	15,348,991	17,095,788	18,434,871	17,876,508
Total liabilities	Before distribution	34,142,820	33,490,371	37,389,614	38,053,839	40,950,519
	After distribution	35,865,136	35,261,295	39,337,630	40,513,455	43,837,894(Note)
Equity attributable to owners of parent		51,829,765	53,678,660	56,706,504	61,828,295	89,213,763
Capital stock		20,026,929	20,026,929	19,676,929	19,676,929	21,387,966
Capital surplus		7,628,542	7,647,215	7,389,577	7,386,901	9,529,520
Retained earnings	Before distribution	22,469,336	25,221,021	26,390,805	27,936,917	30,727,392
	After distribution	20,747,020	23,450,097	24,442,789	25,477,301	27,840,017(Note)
Other equity interest		2,026,521	1,105,058	3,570,756	7,339,258	28,080,595
Treasury Stocks		(321,563)	(321,563)	(321,563)	(321,563)	(511,710)
Non-Controll Interesting	Before distribution	6,044,372	4,812,255	4,998,286	5,796,937	6,448,168
	After distribution	6,044,372	4,812,255	4,998,286	5,796,937	6,448,168
Total shareholders' equity	Before distribution	57,874,137	58,490,915	61,704,790	67,625,232	95,661,931
	After distribution	56,151,821	56,719,991	59,756,774	65,165,616	92,774,556(Note)

Note : Amounts resolved by the board meeting dated on March 16th 2022

6.1.2 Condensed Statement of Income

A. Condensed Statement of Income-IFRS

Unit: NT\$thousand

Item \ Year	Five-Year Financial Summary				
	2017	2018	2019	2020	2021
Sales revenue	21,301,208	20,879,719	18,873,312	19,819,029	22,940,571
Gross profit	4,576,185	4,412,191	4,046,442	4,061,136	4,348,800
Operating profit	1,507,068	1,410,943	1,114,970	1,075,033	1,376,984
Non-operating income & expenses	1,797,400	1,883,866	2,387,349	2,583,162	3,979,710
Profit before income tax	3,304,468	3,294,809	3,502,319	3,658,195	5,356,694
Income from operations of continued segments - before tax	3,092,358	3,150,089	3,221,717	3,511,358	5,013,134
Income from discontinued departments	0	0	0	0	0
Profit for the year	3,092,358	3,150,089	3,221,717	3,511,358	5,013,134
Other Comprehensive Income for the year	811,557	402,449	2,453,917	3,751,272	20,968,385
Total Comprehensive Income for the year	3,903,915	3,552,538	5,675,634	7,262,630	25,981,519
Profit (loss) attributable to owners of parent	3,092,358	3,150,089	3,221,717	3,511,358	5,013,134
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	3,903,915	3,552,538	5,675,634	7,262,630	25,981,519
Total Comprehensive Income for the year profit (loss) attributable to non-controlling interest	0	0	0	0	0
Earnings per share	1.56	1.59	1.65	1.81	2.38

B. Consolidated Condensed Statement of Income-IFRS

Unit: NT\$thousand

Item \ Year	Five-Year Financial Summary				
	2017	2018	2019	2020	2021
Sales revenue	50,942,521	50,104,927	47,909,358	45,823,430	52,557,027
Gross profit	12,196,268	12,052,659	11,481,649	10,756,093	12,745,579
Operating profit	3,496,200	3,520,486	3,536,445	3,534,057	5,069,358
Non-operating income & expenses	857,704	765,802	903,009	865,691	1,082,520
Profit before income tax	4,353,904	4,286,288	4,439,454	4,399,748	6,151,878
Income from operations of continued segments - before tax	3,544,248	3,475,969	3,518,780	3,811,648	5,502,191
Income from discontinued departments	0	0	0	0	0
Profit for the year	3,544,248	3,475,969	3,518,780	3,811,648	5,502,191
Other Comprehensive Income for the year	781,789	433,011	2,520,910	3,791,939	21,474,459
Total Comprehensive Income for the year	4,326,037	3,908,980	6,039,690	7,603,587	26,976,650
Profit (loss) attributable to owners of parent	3,092,358	3,150,089	3,221,717	3,511,358	5,013,134
Profit (loss) attributable to non-controlling interest	451,890	325,880	297,063	300,290	489,057
Total Comprehensive Income for the year profit (loss) attributable to owners of parent	3,903,915	3,552,538	5,675,634	7,262,630	25,981,519
Total Comprehensive Income for the year profit (loss) attributable to non-controlling interest	422,122	356,442	364,056	340,957	995,131
Earnings per share	1.56	1.59	1.65	1.81	2.38

6.1.3 Auditors' Opinions from 2017 to 2021

Year	CPA Firm	CPA's Name	Auditing Opinion
2021	PricewaterhouseCoopers, Taiwan	Wu, Yu-Lung Chou, Chien-Hung	Unqualified Opinion(Other Item)
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)

6.2 Five-Year Financial Analysis

6.2.1 Five-Year Financial Analysis-IFRS

Item		Year	Financial analysis in the past five years				
			2017	2018	2019	2020	2021
Financial structure (%)	Ratio of liabilities to assets		26.77	26.26	24.94	24.23	18.97
	Ratio of long-term capital to fixed assets		1,566.42	1,656.05	1,761.49	2,231.05	3,147.57
Solvency (%)	Current ratio		104.60	122.14	84.41	103.25	107.23
	Quick ratio		67.15	74.89	48.97	63.53	57.23
	Times interest earned ratio		36.02	35.78	35.91	41.15	79.67
Operating ability	Accounts receivable turnover (turns)		5.30	5.63	5.47	5.52	5.39
	Average collection period		68.87	64.83	66.73	66.12	67.72
	Inventory turnover (turns)		5.43	5.58	5.20	5.57	5.78
	Accounts payable turnover (turns)		3.46	3.59	3.65	3.80	3.72
	Average days in sales		67.22	65.41	70.19	65.53	63.15
	Fixed assets turnover (turns)		5.75	5.57	5.20	5.99	7.46
	Total assets turnover (turns)		0.30	0.29	0.25	0.25	0.24
Profitability	Return on total assets (%)		4.50	4.49	4.45	4.56	5.29
	Return on stockholders' equity (%)		6.09	5.97	5.84	5.92	6.64
	Ratio of pre-tax income to issued capital		16.50	16.45	17.80	18.59	25.05
	Profit ratio (%)		14.52	15.09	17.07	17.72	21.85
	Earnings per share (\$)		1.56	1.59	1.65	1.81	2.38
Cash flow	Cash flow ratio (%)		30.30	14.06	16.85	25.00	17.73
	Cash flow adequacy ratio (%)		76.63	67.68	68.53	87.75	75.53
	Cash reinvestment ratio (%)		1.52	-0.79	-0.13	0.09	-0.80
Leverage	Operating leverage		3.68	3.77	4.19	4.23	3.42
	Financial leverage		1.07	1.07	1.10	1.09	1.05
Key Indicator	Sales growth (%)		5.07	-1.98	-9.61	5.01	15.75
	Profit after tax growth (%)		-11.18	1.87	2.27	8.99	42.77

Reasons for changes in financial ratios in the last two years:

1. Ratio of liabilities to assets: The decrease was mainly due to the increase in the book value of investments assessed by the equity method, which resulted in an increase in total assets.
2. Ratio of long-term capital to fixed assets: The increase was mainly due to the unrealized gains on valuation of investments measured at fair value through other comprehensive, which resulted in an increase in equity.
3. Times interest earned ratio increased mainly due to the effect of the increase in profit and the decrease in interest expenses.
4. Fixed assets turnover (turns): The increase was mainly due to the increase in net sales in the current period.
5. Ratio of pre-tax income to issued capital: The increase was mainly due to the increase in net profits before tax.
6. Profit ratio: The increase was mainly due to the increase in investment income recognized by the equity method compared with the previous period.
7. Earnings per share: The increase was mainly due to the increase in net income.
8. Cash flow ratio: The decrease was mainly due to the increase in contract assets and inventories, which resulted in a decrease in cash flow from operating activities.
9. Cash flow reinvestment ratio: The decrease was mainly due to the combined effect of the increase in contract assets and inventories, resulting in a decrease in cash flow from operating activities, and the increase in cash dividends to be distributed.
10. Sales growth: The increase was mainly due to the growth of export revenue.
11. Profit after tax growth: The increase was mainly due to the effect of the revenue growth and the increase in investment income recognized by the equity method compared with the previous period.

6.2.2 Consolidated Five-Year Financial Analysis-IFRS

Item		Year	Financial analysis in the past five years				
			2017	2018	2019	2020	2021
Financial structure (%)	Ratio of liabilities to assets		37.10	36.41	37.73	36.01	29.98
	Ratio of long-term capital to fixed assets		381.31	398.75	414.38	483.48	686.12
Solvency (%)	Current ratio		236.16	241.22	216.55	233.41	213.81
	Quick ratio		168.32	168.39	157.24	175.05	148.42
	Times interest earned ratio		19.18	20.66	17.95	19.59	31.51
Operating ability	Accounts receivable turnover (turns)		4.42	4.64	4.59	4.41	4.81
	Average collection period		82.58	78.66	79.52	82.77	75.88
	Inventory turnover (turns)		3.19	3.11	3.21	3.36	3.42
	Accounts payable turnover (turns)		4.94	4.84	4.83	4.58	4.33
	Average days in sales		114.42	117.36	113.71	108.63	106.73
	Fixed assets turnover (turns)		2.80	2.84	2.81	2.81	3.38
	Total assets turnover (turns)		0.55	0.54	0.50	0.45	0.43
Profitability	Return on total assets (%)		4.06	3.97	3.90	3.91	4.67
	Return on stockholders' equity (%)		6.24	5.97	5.86	5.89	6.74
	Ratio of Pre-tax income to issued capital (%) (Note7)		21.74	21.40	22.56	22.36	28.76
	Profit ratio (%)		6.96	6.94	7.34	8.32	10.47
	Earnings per share (\$)		1.56	1.59	1.65	1.81	2.38
Cash flow	Cash flow ratio (%)		31.43	23.86	29.21	27.97	17.84
	Cash flow adequacy ratio (%)		122.23	116.89	126.69	134.73	126.64
	Cash reinvestment ratio (%)		4.12	2.57	3.82	2.70	0.88
Leverage	Operating leverage		4.74	3.96	3.93	3.72	2.88
	Financial leverage		1.07	1.07	1.08	1.07	1.04
Key Indicator	Sales growth (%)		2.04	-1.64	-4.38	-4.35	14.69
	Profit after tax growth (%)		-12.21	-1.93	1.23	8.32	44.35

Reasons for changes in financial ratios in the last two years:

1. Ratio of long-term capital to fixed assets: The increase was mainly due to the unrealized gain arising from the financial assets measured at fair value through profit or loss, which resulted in an increase in equity.
2. Times interest earned ratio increased mainly due to the effect of the increase in profit and the decrease in interest expenses.
3. Fixed assets turnover (turns): The increase was mainly due to the increase in net sales in the current period.
4. Ratio of pre-tax income to issued capital: The increase was mainly due to the increase in net profits before tax.
5. Profit ratio: The increase was mainly due to the valuation increase on financial asset compared with the previous period.
6. Earnings per share: The increase was mainly due to the increase in net income.
7. Cash flow ratio: The decrease was mainly due to the increase in inventories, which resulted in a decrease in cash flow from operating activities.
8. Cash flow reinvestment ratio: The decrease was mainly due to the combined effect of the increase in contract assets and inventories, resulting in a decrease in cash flow from operating activities, and the increase in cash dividends to be distributed.
9. Operating leverage: The decrease was mainly due to the increase in operating profit.
10. Sales growth: The increase was mainly due to the growth of revenue in all regions and the valuation increase on financial asset compared to the previous period.
11. Profit after tax growth: The increase was mainly due to the effect of the revenue growth and the valuation increase on financial asset compared with the previous period.

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 2021 (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 2022

TECO Electric & Machinery Co., Ltd

Audit Committee Convener : Wei-Chi Liu

Date: March 16, 2022

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

7.1 Analysis of Financial Status

Unit: NT\$thousand

Item \ Year	2021/12/31	2020/12/31	Difference		Remark
			Amount	%	
Current Assets	49,333,671	45,792,352	3,541,319	8	
Fixed Assets	15,196,458	15,912,788	(716,330)	(5)	
Intangible Assets	4,439,567	5,269,715	(830,148)	(16)	
Other Assets	67,642,754	38,704,216	28,938,538	75	Note 1
Total Assets	136,612,450	105,679,071	30,933,379	29	Note 1
Current Liabilities	23,074,011	19,618,968	3,455,043	18	
Non Current Liabilities	17,876,508	18,434,871	(558,363)	(3)	
Total Liabilities	40,950,519	38,053,839	2,896,680	8	
Equity attributable to owners of parent	89,213,763	61,828,295	27,385,468	44	Note 1
Capital stock	21,387,966	19,676,929	1,711,037	9	
Capital surplus	9,529,520	7,386,901	2,142,619	29	Note 2
Retained Earnings	27,936,917	27,936,917	0	0	
Other equity	27,568,885	6,827,548	20,741,337	304	Note 1
Non Controlling Interest	6,448,168	5,796,937	651,231	11	
Total Stockholders' Equity	95,661,931	67,625,232	28,036,699	41	
Note 1: The increase is mainly due to the unrealized gains on valuation of investments measured at fair value through other comprehensive financial assets held by the Group, which increased both assets and equity.					
Note 2: The increase is mainly due to the issuance of ordinary shares at a premium in 2021.					

7.2 Analysis of Operating Results

7.2.1 Operating Results

Unit: NT\$thousand

Item \ Year	2021	2020	Difference		Remark
			Amount	%	
Sales Revenue	52,557,027	45,823,430	6,733,597	15	
Operating Costs	(39,812,612)	(35,066,082)	(4,746,530)	14	
Gross Profit	12,744,415	10,757,348	1,987,067	18	
Realized(Unrealized) Profit from Sales	1,164	(1,255)	2,419	(193)	Note 1
Gross Profit - Net	12,745,579	10,756,093	1,989,486	18	
Operating Expenses	(7,676,221)	(7,222,036)	(454,185)	6	
Operating Profit	5,069,358	3,534,057	1,535,301	43	Note 2
Non-operating Income and Gains	1,082,520	865,691	216,829	25	Note 3
Profit before income tax	6,151,878	4,399,748	1,752,130	40	Note 4
Tax Expense	(649,687)	(588,100)	(61,587)	10	
Net Income	5,502,191	3,811,648	1,690,543	44	Note 4
Other comprehensive income	21,474,459	3,791,939	17,682,520	466	Note 5
Total comprehensive income	26,976,650	7,603,587	19,373,063	255	Note 6
Analysis and explanation for changes: 1. Mainly due to the inventory sold by the company to non-consolidated related enterprises decreased, resulting in an increase in unrealized profit. 2. Mainly due to the increase in revenue and gross profit, expense control, as well as the increase in the valuation of financial products in the net operating profit. 3. Mainly due to the increase in dividend income compared with the previous period. 4. Mainly due to the increase in operating net profit and cash dividend income compared with the previous period. 5. Mainly due to the increase in the appreciation of financial assets, resulting in an increase in comprehensive income. 6. Mainly due to the increase in net profit and other comprehensive benefits compared with the same period of last 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 (2021)

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
20,397,260	4,115,253	7,238,370	17,274,143	-	-
<p>A. Analysis of change in cash flow:</p> <p>a. Operating activities: The net cash inflow from operating activities is mainly due to stable profitability and proper control of the receipt and payment schedule.</p> <p>b. Investing activities: Purchase of monetary assets and 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
17,274,143	4,041,111	2,822,439	18,492,815	-	-
<p>A. Analysis of change in cash flow in the current year:</p> <p>a. Operating activities: The impact of the COVID epidemic has alleviated, and the export situation in North United States has improved. Revenue is expected to grow slightly compared with 2021. It is expected that net cash inflows from operating activities this year will not be significantly different from 2020.</p> <p>b. Investing activities: It is expected that the dividend income earned in 2022 is just enough to pay for the equipment purchase and the increase of investment projects under the equity method.</p> <p>c. Financing activities: Although the cash dividend of this year is higher than that of last year, the net cash inflow from operating activities of the Company in Taiwan will increase significantly. It is estimated that loans won't increase this year.</p> <p>B. Remedy for Cash Deficit and Liquidity Analysis: Not Applicable</p>					

7.4 Financial and Business Impact from 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	
				2021	2022~2023
2021 Capital Expenditure – new equipment, equipment renewal and capacity expansion	Working Capital	2021/12/31	1,399,000	1,399,000	
2022 Capital Expenditure – new equipment, equipment renewal and capacity expansion	Working Capital	2022/12/31	3,833,000		3,833,000

7.4.2 Expected Benefits

After the above-mentioned capital expenditure and equipment replacement, in addition to increasing the output of high and low voltage motors, home appliances and air conditioners, and automation & intelligent system 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 & air conditioners, 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 interest recognized by the equity method of the Group in 2021 was NT\$ 195,831 thousand, with an increase of 210,444 thousand compared with the investment loss recognized in 2010 (14,613). It was mainly due to the impact of the epidemic on related companies in 2010, which gradually recovered in 2021.

7.5.3 Investment plan for the next year

In addition to the replacement of old equipment with new ones, the investment plan for the next year will continue to focus on energy conservation, emission reduction, intelligence, automation, digitalization, development of large vertical pump CWP, 2P inverter F#630~800 series · IE5 high efficiency permanent magnet motor, low-speed direct-drive permanent magnet motors, self-starting synchronous reluctance motor, offshore wind turbine technology, and high efficiency inverter air conditioning products.

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

	2021	Unit: NT\$Thousand
Interest Income or Loss(1)		(74,314)
Sales Revenues(2)		52,557,027
Operating Income(3)		5,069,358
(1)/(2)		(0.14)%
(1)/(3)		(1.47)%

The Company's net interest expense for the year 2021 was NT \$ 74,314 thousand, accounting for 0.14% of annual operating income and 1.47% of operating profit.

Looking forward to this year, the global economy is gradually recovering from the epidemic. In order to adjust the inflationary pressure, countries around the world have successively released news of interest rate hikes or imminent interest rate hikes. Among them, the US Federal Reserve announced on March 17 to raise interest rates by 1 yard, and announced that there will be 6 interest rate hikes this year and 3 interest rate hikes next year. The central bank of Taiwan also announced a 1-yard rate hike on the same day. Interest rates are expected to rise gradually.

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-rate borrowing, etc.

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

	2021	Unit: NT\$thousand
Exchange Gain or Loss(1)		(62,535)
Sales Revenues(2)		52,557,027
Operating Income(3)		5,069,358
(1)/(2)		(0.12)%
(1)/(3)		(1.23)%

The company's year 2021 exchange loss was NT\$62,535 thousand, which was mainly due to the appreciation of the New Taiwan dollar (2.95% in 2021), and the appreciation of the RMB of China companies (2.66% in 2021), but due to the reduction of foreign currency positions and hedging operations, the exchange loss has been reduced compared with 2020 (NT\$80,595 thousand).

Looking forward to this year, driven by the US Federal Reserve's announcement that there will be seven interest rate hikes this year, it is expected that funds will gradually flow into the United States, which will strengthen the US dollar exchange rate. 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

The General Accounting Office of Taiwan announced that the CPI for 2021 will be 1.96%, a new high in 13 years. The CPI from August 2021 to February 2022 will be above 2%. The shipping costs and prices of the company's main raw materials, which include steel, copper, aluminum, etc., have risen significantly and will increase the procurement cost.

In addition, the purchase of raw materials of the Company is mostly negotiated by contract. In the situation of rising prices, prices can be negotiated with suppliers. Therefore, fluctuations in raw 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 2021, outstanding loans extended by the company amounted to NT\$105,872 thousands.
- C. In 2021, the outstanding amount of the endorsement and guarantee extended by the company reached NT\$1,700,473 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 2021, 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 2022 is NT\$1,384,000 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 and 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 MW-grade 2 pole inverter duty motor
- (b) Development of low-speed high-torque permanent magnet motors direct drive system
- (c) Development of high torque permanent magnet motor & drive
- (d) Development of high-speed permanent magnet motor and driver products
- (e) Development of IE5 high efficiency permanent magnet motor
- (f) Development of digital motor products
- (g) Research and development of low energy consumption inverter refrigerator
- (h) Integration and development of vehicle power system
- (i) Development of motor and drive of vehicle
- (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 TECO i-Air system
- (o) Research and development of commercial full DC inverter air-cooled box-type air conditioners
- (p) Development of smart networking high sensible heat air conditioner
- (q) Development of high IPLV magnetic levitation centrifugal unit
- (r) HVAC air conditioning system group control energy saving solution development
- (s) HVAC air conditioning system cloud monitoring expert diagnosis system development
- (t) Development of smart freezing and refrigerating cabinet
- (u) Development of mid-temperature condensing unit in supermarkets
- (v) Development of low-temperature condensing unit for agriculture, fishery and aquatic products
- (w) Development of efficient and short servo motor
- (x) IE5 synchronous reluctance motor driver development
- (y) Development of image recognition technology for meal delivery robots
- (z) AGV multi-vehicle management technology development
- (aa) Matrix converter prototype development
- (bb) Development of next-generation high-performance servo drives
- (cc) Development of multi-axis servo technology
- (dd) Development of compact DC servo products
- (ee) EtherCat thin AC servo product development
- (ff) Ultra-thin and thin AC servo product development
- (gg) Development of hardware and software for the next-generation single-axis servo drive prototype
- (hh) Adjusting characteristics and selecting functional technology development
- (ii) Development of higher order adjustment function technology
- (jj) Development of speed ripple compensation function technology
- (kk) Harmonic suppression technology development
- (ll) I / O filter development
- (mm) Matrix converter system integration
- (nn) AGV multi-vehicle control technology
- (oo) Independent follow-up technology development
- (pp) Research and development of binary extremely low temperature refrigeration system
- (qq) Evaluation of the influence of extremely low temperature environment on motor characteristics
- (rr) Industrial Internet of Things:
 - 1. Application of edge computing system
 - 2. Proposal of in-factory program and implementation on single machines, work center, whole production

line, and quality-inspection application

3. Preparation for undertaking external projects

(ss) Smart mobile platform

1. Integration of automated guided vehicle (AGV) and production-line information flow

(tt) Data analysis:

1. Development of equipment predictive maintenance technology

(uu) Development of AI Vision Application

1. AI visual feature extraction and recognition

(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 low-speed high-torque permanent magnet motors direct drive system 3. Development of IE5 ultra high efficiency permanent magnet motor 4. Development of new generation steel shell motor products 5. Development of smart freezing and refrigerating cabinet 6. Research and development of commercial full DC inverter air-cooled box-type air conditioners 7. Development of Multi-Pressure Single System of High IPLV Magnetic Levitation Centrifugal Unit 8. Sinusoidal sensorless drive technology research and development 9. Servo parameter automatic adjustment technology 10. Development of T-Power 50~130 car electric power kit 11. Smart battery and battery management system development 12. Development of brake energy recharging technology 13. Research and development of vehicle verification technology for energy-saving electric vehicles 14. Development of vehicle electric power battery verification technology 15. Single-axis high-performance servo drive 16. AGV product development 17. Development of next-generation inverter prototype 18. Multi-vehicle AGV system development 19. Thin (axial) motor design 20. GaN drive technology development 21. Joint module system integration (S1/M1) 22. Smart follower car development 23. Motor drive integrated machine development 24. Motor heat flow technology research and development 25. Development of high-speed maglev controller 26. Development of high efficiency inverter air conditioning technology 27. Development of uni/bidirectional DC power converter

Term of R&D	Focus	Major R&D items
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. High-speed permanent magnet motor and driver development 4. Development of ultra-low-speed direct-drive permanent magnet motors 5. Offshore wind turbine technology development 6. Development of ultra-high efficiency synchronous reluctance motor 7. Development of new-generation insulation system 8. Application of digital-home technology in smartphones 9. Gateway technology of electronic control product series 10. Development of energy-saving solutions for HVAC air-conditioning systems 11. HVAC air conditioning system cloud monitoring expert diagnosis system opened 12. Development of smart networking high sensible heat air conditioner 13. Development of mid-temperature condensing unit in supermarkets 14. Development of low-temperature condensing unit for agriculture, fishery and aquatic products 15. Multi-axis servo drive technology development 16. T-Power 250 electric bus power system development 17. Navigation technology research and development 18. Development of thin (axial) motor integrated machine 19. Development of uni/bidirectional AC/DC power converter 20. Development of DC Inverter Air Conditioner
Long-term	Deployment in new business scope	<ol style="list-style-type: none"> 1. Development of intelligent motor products and technical services 2. Development of traction motors for rail vehicles 3. Machine networking system integration research and development 4. Micro smart grid system integration research and development 5. Research and development of new generation digital home appliance system 6. Research and development of new generation industrial servo system 7. Multi-axis servo system integration research and development 8. Development of T-Power 150~250 car electric power kit 9. Development of energy conditioning system 10. Development of Next Generation Inverter Air Conditioning Technology

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 (including cyber security risk) and in Industry Relating to Corporate Finance and Sales

In response to technological changes, TECO set up an information security committee under the Corporate Governance and Sustainability Committee of the board of directors in Jan 2021, with the President as the chairman of the committee, responsible for coordinating the Company's information security policy and governance. In addition, TECO information security management system (ISMS) was verified by a third party on October 2021 and passed the ISO27001 international standard certification, improving the information security management policy and relevant management procedures. In the future, the deployment of cyber security defense system will strengthen endpoint detection and response, network abnormal traffic monitoring, intrusion detection and protection, complete system backup and cyber security monitoring platform, and deepen defense in management and technology to reduce cyber security risks.

In terms of industry, 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%

In 2021 and as of the publication date of the annual report, there has been no substantial transfer or replacement of the shares of the Company's directors, supervisors or major shareholders holding more than 10% of the shares.

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". TECO made a motion for provisional execution. The court is proceeding and there is no significant adverse impact on the situation of TECO at present	\$171,129

Number	The cause of the case	the counterparty	the progress of the case	Amount
2	Request for change and additional engineering payment	LiJin Engineering.	The court appointed the Taiwan Construction Research Institute for appraisal. 2021.9.16 The third appraisal meetingCurrently, 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 first-instance judged that the counterparty should pay TECO (Leader Construction, TECO, TMA Architects 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.	\$188,068

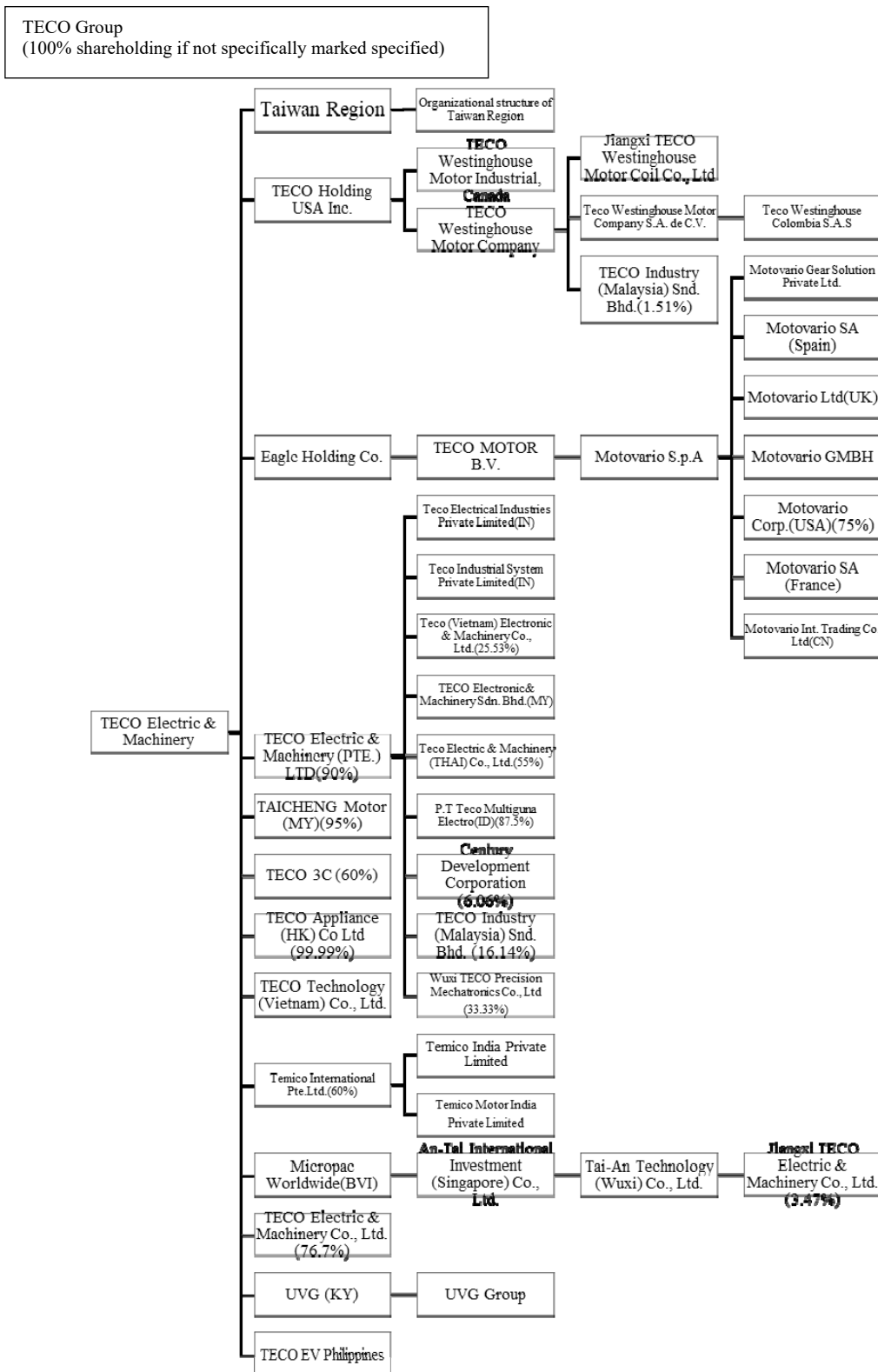
7.6.13 Other Major Risks and Countermeasures

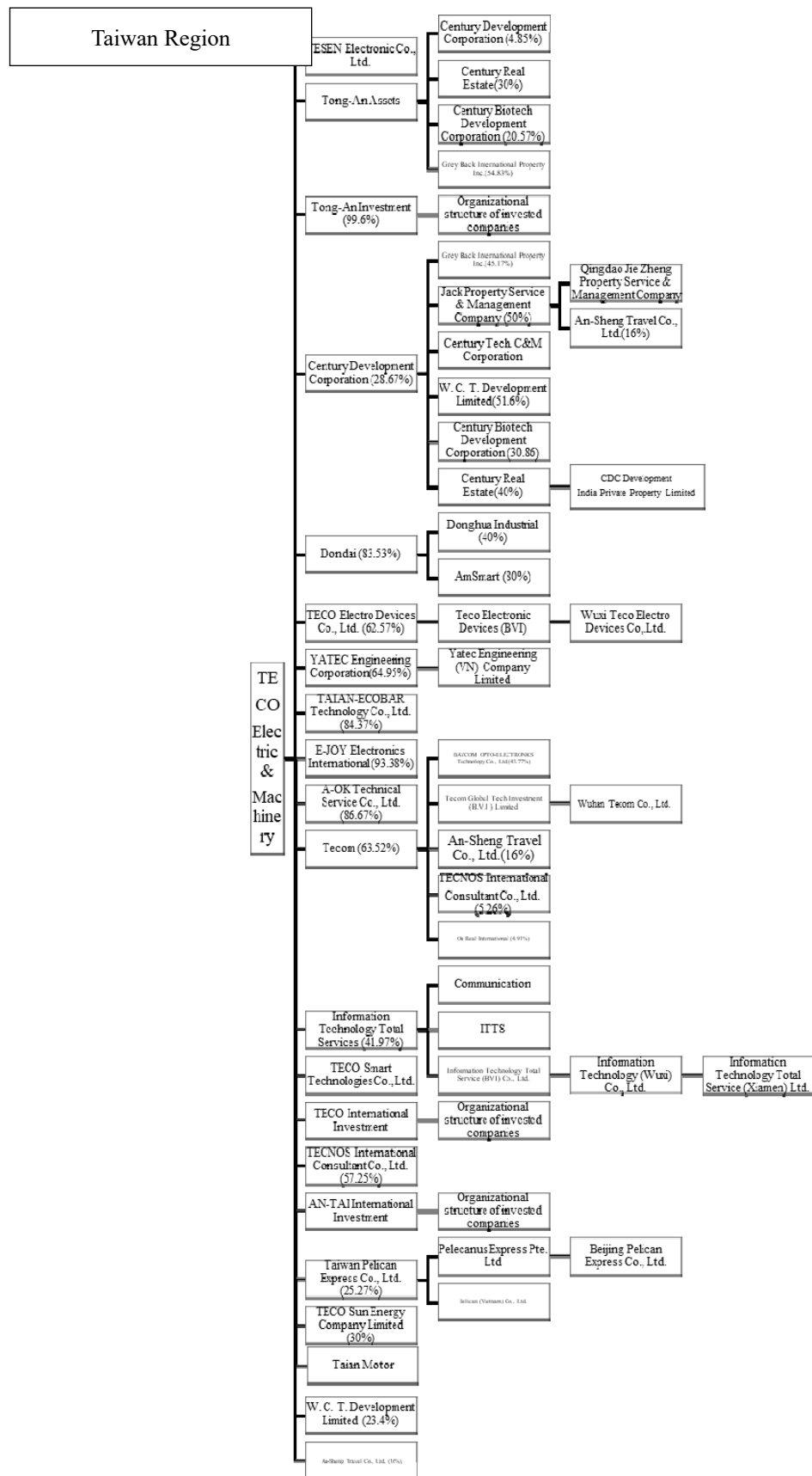
In order to strengthen information security management, ensure the confidentiality, integrity and availability of information, as well as the reliability of information equipment and network systems, the company has established information security policies as guidelines for information security risk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

VIII. Special Disclosure

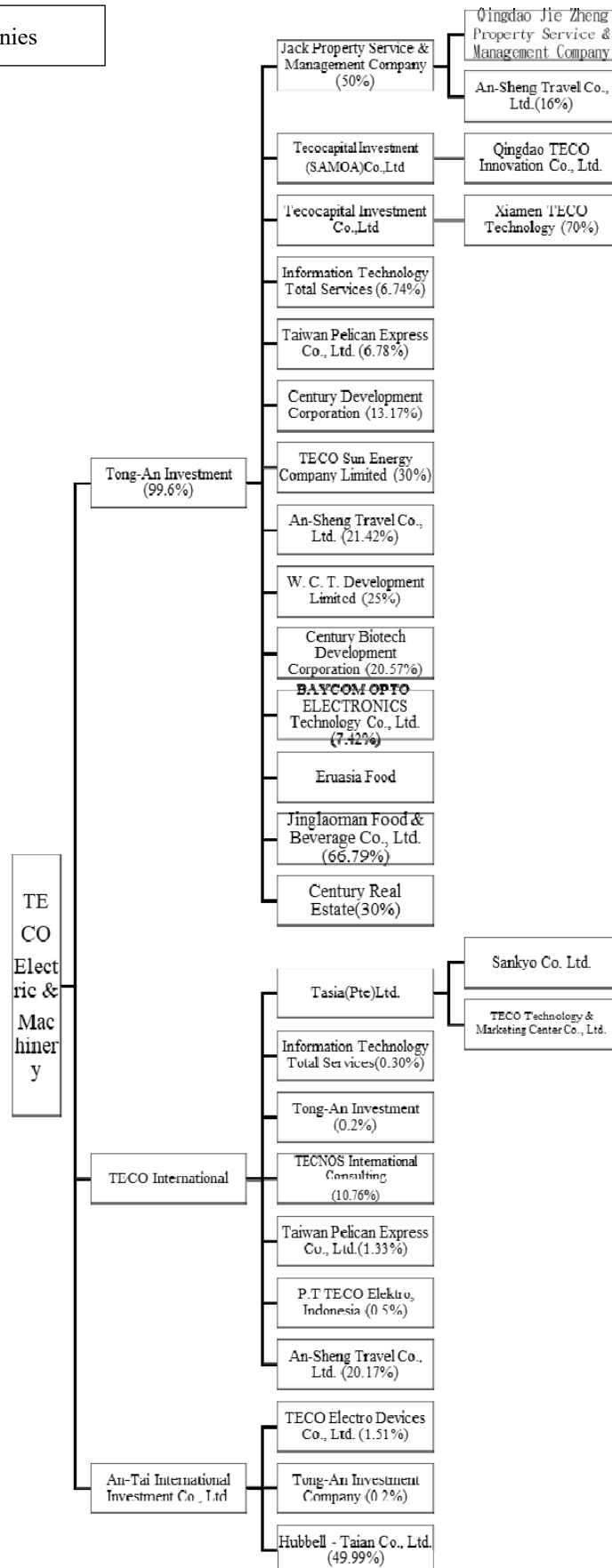
8.1 Summary of Affiliated Companies

8.1.1 Chart of Affiliated Companies





Invested companies





8.1.2 Information Regarding Affiliated Companies

Unit: NT\$thousand

Company	Date of Incorporation	Paid-in Capital	Major Business
Tong Dai Co., Ltd.	1972.06	79,194	Sales of Motors
TECO International Investment Co., Ltd.	1989.06	744,097	Investment Activity
TECO Holding USA Inc.	1995.03	739,250	Investment and Trading in USA
TECO Electric & Machinery (Pte) Ltd. Singapore	1972.09	163,680	Sales of Motors in Singapore and Other Countries Nearby
Tong-An Assets Management & Development Co., Ltd.	1997.07	3,954,153	Real Estate Business
Tong-An Investment Co., Ltd.	1998.08	5,109,046	Investment Activity
TECO Electro Devices Co., Ltd.	1998.03	172,148	Manufacture of Stepping Motors
Tecnos International Consultant Co., Ltd.	1998.06	120,878	Business Consulting and Human Resource Services
United View Global Investment Co., Ltd. (UVG)	1999.08	6,516,244	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	185,198	Manufacture and Sales of Tools and Equipment
An-Tai International Investment Co., Ltd.	1990.09	348,500	Investment Activity
Micropac (BVI) Worldwide Investment Co., Ltd.	1993.03	411,978	International Trading
Taian-Etacom Technology Co., Ltd.	1999.12	83,000	Manufacture of Bus Way Components
E-Joy International Co., Ltd.	2004.06.25	79,467	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	21,729	Investment Activity
Asia Air Tech Industrial (Pte) Ltd.	1999.06	235,280	Investment Activity
TECO (Dong Guang) Air Conditioning Equipment Co., Ltd.	1999.11.09	305,631	Manufacture of Air Conditioning Equipment
TECO Australia Pty. Ltd.	1993.04	602,400	Sales of Motors and Home Appliance in Australia
TECO New Zealand Ltd.	1983.04	56,847	Sales of Home Appliances
Great Teco Motor Ltd.	2000.01.27	3,377,686	Investment Activity
Wuxi TECO Electric & Machinery Co., Ltd.	2002	1,455,674	Manufacture and Sales of Motors
TECO Industrial (Malaysia) Sdn. Bhd.	1989.06	584,895	Manufacture and Sales of Motors in Malaysia
P.T TECO Elektro, Indonesia	1997.08.14	704,456	Sales of Home Appliances
P.T TECO Multiguna Electro	1983.06	14,258	Investment and Trading Activities
TECO Electronic & Machinery (Thai) Co., Ltd.	1987.04	50,130	Investment and Trading Activities
TECO Westinghouse Motor Company	1988.01	572,007	Sales of Motors in USA

Company	Date of Incorporation	Paid-in Capital	Major Business
TECO Westinghouse Motor Industrial, Canada	1995.12	23,868	Sales of Motors
TECO Electro Devices Co., Ltd.	1998.03	94,389	International Trading
Wuxi Teco Electro Devices Co., Ltd.	2001.12	119,603	Manufacture and Sales of Stepping Motors
An-Tai International Investment (Singapore) Co., Ltd.	1993.03	453,680	Investment Activity
Tai-An Technology (Wuxi) Co., Ltd.	2000.07	515,220	Manufacture and Sales of Optical Fiber
Asia Electric & Machinery Pte Ltd.	2000.06.05	1,538,593	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	495,655	Manufacture and Sales of Air Conditioning
Sankyo Co, Ltd.	1992.02.14	7,215	Sales of Home Appliances
TECO Electronic & Machinery B.V.	2005.04.18	20,671	Sales of Motors and LCD TV in Europe
STE Marketing Sdn. Bhd.	1987.12	58,446	Investment and Trading
Jiangxi TECO Electric & Machinery Co., Ltd.	2005.06.01	1,455,218	Manufacture and Sales of Motors
Qingdao TECO Precision Mechatronics Co., Ltd	2006.12	813,470	Manufacture and Sales of Compressors
TECO Westinghouse Motor Company S.A. de C.V	2005.12	48,937	Manufacture and Sales of Motors
TYM Electric & Machinery Sdn. Bhd.	2006.06	3,313	Sales of Motors
TECO (Vietnam) Electric & Machinery Company	2005.04	344,119	Manufacture and Sales of Motors
TECO Technology (Vietnam) Co., Ltd.	2006.08	419,522	Manufacture and Sales of Tools and Equipment
Asia Innovative Technology (Xiamen) Co., Ltd.	2006.12	810,256	R&D and Manufacture of LCD TV
TECO Group Science-Technology (Hang Zhou) Co., Ltd.	2007.06	9,870	R&D of Electronic Devices and System Automation
Jiangxi TECO Air Conditioning Equipment Co., Ltd.	2010.02.05	161,019	Sales of Air Conditioners
Fujian TECO Precision Co., Ltd.	2008.05	365,351	Sales and Production of Motors and Generators
Teco Appliance (HK) Co., Ltd.	1991.02.12	5,331	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
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	42,655	Investment Activities
Information Technology (Wuxi) Co., Ltd.	2004.08	10,786	Software, Data Processing and Information Provision
Information Technology Total Service (Xiamen) Ltd.	2007.12	4,344	Software, Data Processing and Information Provision
GreyBack International Property Inc.	2007.02.28	27,683	Real Estate Business
Taian-Jaya Electric Sdn. Bhd.	1988.06.07	6,627	Manufacture and Sales of Motors
TECO CAPITAL INC.	2008.04.15	18,217	Investment Activities

Company	Date of Incorporation	Paid-in Capital	Major Business
TECO (PHILIPPINES) 3C & APPLIANCES, INC.	2008.08.22	27,081	Sales of Home Appliance and Air Conditioners
Pelecanus Express Pte, Ltd	2010.04.19	24,912	Investment Activities
Qingdao TECO Innovation Co., Ltd.	2010.08.11	56,841	Merchant and Management Service for Science Park's Development and Operation
TECO Technology & Marketing Center Co., Ltd.	2011.04.01	7,215	Investment Activities
TECO Capital Investment (SAMOA) Co., Ltd.	2011.01.18	55,360	Holding Company
Beijing Pelican Express Co., Ltd.	2010.10.13	0	Storage Services
Technical Information International Co., Ltd.	2008.07.28	43,440	Development & Sales of Software
Shanghai TECO Electric & Machinery Co., Ltd.	2012.08.04	59,211	Agency of Machinery and Electric Products
TECO Electric and Machinery GmbH.	2012.09.01	783	Production & Sales of Machinery
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) Limited	2002.08.13	33,156	Investment Activities
Wuhan Tecom Co., Ltd.	2003.02.24	7,191	Internet Telecommunication Technology Development and Related Services
Qingdao Jie Zheng Property Service & Management Company	2012.08.20	5,664	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	12,861	Franchise of Home Appliance and FA/GE Product
Jiangxi TECO Westinghouse Motor Coil Co., Ltd	2014.07.24	107,175	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	564,073	Manufacture and Sales of motor and gear reducer
Motovario S.A(Spain)	2001.2.14	20,700	Manufacture and Sales of motor and gear reducer
Motovario Ltd	1999.3.26	13,590	Manufacture and Sales of motor and gear reducer
Motovario GMBH	1997.2.28	10,089	Manufacture and Sales of motor and gear reducer
Motovario Corp.	1997.10.06	8,581	Manufacture and Sales of motor and gear reducer
Motovario S.A(France)	1995.2.09	10,126	Manufacture and Sales of motor and gear reducer
Motovario Int. Trading Co. Ltd	2004.7.22	7,191	Manufacture and Sales of motor and gear reducer
Motovario Gear Solution Private Ltd	2011.7.15	4,649	Manufacture and Sales of motor and gear reducer
Eagle Holding Co.	2010.8	3,076,649	Holding Company
TECO MOTOR B.V.	2015.7	3,132,313	Holding Company
Wuxi TECO Precision Mechatronics Co., Ltd	2015.7	854,951	Manufacture and Sales of electric machinery and component
Century Development Corporation	1993.2.9	3,509,055	Management of property and industrial park development
Century Tech. C&M Corporation	1975.10.4	22,500	Construction industry

Company	Date of Incorporation	Paid-in Capital	Major Business
United Development Corporation	1994.3.8	108,310	Consultant service for industrial park and land investment
Teco Industrial System Private Limited	2012.6	5,538	Sales and marketing for motors in India
Teco Electrical Industries Private Limited	2016.6	24,174	Dealer for motors
Yatec Engineering (VN) Company Limited	2016.12	17,121	Design and maintenance of electrical systems
Century Real Estate (International) Pte. Ltd.	2017.8	841,472	Investment in other regions
CDC Development India Private	2017.10	751,238	Consulting service for industrial zone and land investment
Century Biotech Development Corporation	2018.3.23	2,500,000	Consulting service for industrial zone and land investment
Teco Sun Energy	2018.6.15	70,000	Production of equipment for power generation, transmission and distribution
Am Smart Technology	2018.3.31	20,000	Dealer of heavy electric products
Temico International Pte. Ltd.	2018.6.21	250,734	Holding company
TECO EV Philippines Corporation	2015.4.8	29,408	Sales of vehicle
Euro Asia Mado	2018.12.3	22,500	Chain food industry
Jing Lao Man Restaurant	2012.7.24	28,000	Chain food industry
Ejoy Australia Pty. Ltd.	2019.7	70,280	Dealer of home appliance products
Motovario Australia Pty. Ltd.	2018.2	0	Various Investment
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	52,549	Sales of motor and home appliance
Temico Motor India Private Limited	2020.2.21	26,814	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

8.1.3 Operational Highlights of Affiliated Companies

Unit: NT\$thousand

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS (NT\$)
Tong Dai Co., Ltd.	79,194	1,339,035	814,219	524,816	2,318,819	162,494	128,967	16.29
Tecnos International Consultant Co., Ltd.	120,878	441,202	268,387	172,815	2,129,346	39,373	31,945	2.64
TECO International Investment Co., Ltd.	744,097	1,951,191	138,709	1,812,482	645	-7,664	53,964	0.73
TECO Electro Devices Co., Ltd.	172,148	722,632	361,967	360,665	899,858	79,062	61,024	3.54
TECO Electric & Machinery (Pte) Ltd. Singapore	163,680	3,984,154	281,671	3,702,483	1,417,107	78,974	72,315	90.39
Information Technology Total Services Co., Ltd.	273,234	850,053	302,359	547,694	1,325,626	81,261	72,481	2.65
UVG Investment Co., Ltd.	6,516,244	8,389,236	453,594	7,935,642	0	339,826	320,192	1.36
Tong-An Investment Co., Ltd.	5,109,046	38,239,010	2,038,758	36,200,253	1,336,111	1,251,943	1,553,542	3.04
TECO Holding USA Inc.	739,250	11,875,661	1,521,349	10,354,313	6,338,769	72,688	231,345	8.66
TECO Westinghouse Motor Company	572,007	8,411,993	2,359,446	6,052,547	5,111,707	11,770	163,718	7.92
An-Tai International Investment Co., Ltd.	348,500	732,981	21,956	711,025	1,048	-128	25,131	0.72
Taian (Subic) Electric Co., Inc	185,198	331,297	90,247	241,050	382,023	35,286	16,317	2.44
Taian-Etacom Technology Co., Ltd.	83,000	703,681	531,081	172,600	795,045	44,133	34,210	4.12
Tasia (PTE) Ltd.	21,729	923	272	651	0	-169	-169	-0.16
Teco Electronic & Machinery (THAI) Co., Ltd.	50,130	205,773	32,577	173,196	169,145	2,058	3,168	0.53
TECO Australia Pty. Ltd.	602,400	2,248,860	655,130	1,593,730	1,885,487	100,591	86,107	2.87
TECO Industrial Malaysia Sdn. Bhd.	584,895	744,919	29,112	715,807	188,575	-5,702	-44,236	-0.50
P.T TECO Elektro, Indonesia	704,456	420,847	6,062	414,785	31,172	9,701	10,372	0.41
Asia Air Tech Industrial (PTE) Ltd.	235,280	131,142	7,261	123,881	0	-990	-1,174	-0.14
TECO Westinghouse Motor Industrial, Canada	23,868	2,632,797	263,396	2,369,401	1,091,766	45,149	53,376	48.35
Jiangxi TECO Westinghouse Motor Coil Co., Ltd	107,175	148,455	31,779	116,677	153,216	4,590	6,180	N/A
Teco Westinghouse Colombia S.A.S.	0	0	3,431,026	-3,431,019	0	0	0	N/A
An-Tai International Investment (Singapore) Co., Ltd.	453,680	447,522	1,740	445,782	0	89,700	79,976	3.61
TECO (Dong Guang) Air Conditioning Equipment Co., Ltd.	305,631	139,725	9,388	130,337	21,538	-2,750	-811	N/A
Micropac (BVI) Worldwide	411,978	1,226,858	885	1,225,973	0	65,972	65,880	4.43
Taian Technology (Wuxi) Co., Ltd	515,220	1,772,057	716,665	1,055,392	2,051,206	54,533	87,532	N/A
Great Teco Motor Ltd.	3,377,686	4,495,976	979	4,494,997	0	260,947	219,078	1.80
Jack Property Service & Management Company	30,250	260,765	109,685	151,080	454,144	45,311	37,475	12.39
Universal Mail Service Ltd.	13,000	25,525	9,138	16,387	44,203	6,485	5,514	4.24
Information Technology Total Service (BVI) Co., Ltd.	42,655	64,013	51	63,962	0	-65	2,895	1.88
Tong-An Assets Management & Development	3,954,153	6,632,609	1,340,615	5,291,994	225,404	69,828	73,553	0.19

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS (NT\$)
Co., Ltd.								
P.T. TECO Multiguna Electro	14,258	434,886	87,745	347,141	435,357	45,417	32,779	0.00
Yatec Engineering Corporation	120,100	451,794	221,442	230,352	633,566	31,239	29,204	2.43
TECO New Zealand Limited	56,847	70,320	82,220	-11,900	80,477	7,486	7,761	2.59
Asia Electric & Machinery	1,538,593	361,311	30,164	331,147	0	5,270	5,130	0.09
Wuxi TECO Electric & Machinery Co., Ltd	1,455,674	4,604,701	2,557,678	2,047,023	5,315,607	304,085	269,750	N/A
GD TECO Taiwan Co., Ltd.	76,449	368,523	267,823	100,700	407,252	17,859	17,859	2.34
Tesen Electric & Machinery Co., Ltd.	200,000	490,297	276,026	214,271	3,188,095	5,370	5,425	0.27
Teco Electronic Devices Co., Ltd.	94,389	220,969	0	220,969	0	0	62,260	18.26
Wuxi Teco Electro Devices Co.,Ltd.	119,603	463,301	242,322	220,979	643,295	64,749	62,246	N/A
Unison Service Corporation	17,000	44,469	29,425	15,044	100,240	5,206	5,004	2.94
Taian Electric Co., Ltd.	1,000	785	0	785	0	-12	-12	-0.12
E-Joy International Co., Ltd.	79,467	246,459	150,105	96,354	443,817	13,101	15,395	1.94
A-Ok Technical Co., Ltd.	22,500	146,461	85,536	60,925	385,909	23,502	18,846	8.38
Nanchang TECO Electric & Machinery Co., Ltd.	495,655	20,304	31,939	-11,635	5,646	-2,806	-7,487	N/A
Sankyo Co., Ltd.	7,215	149,996	210,143	-60,147	403,816	36,324	29,502	0.98
TECO Electric & Machinery B.V.	20,671	95,589	474,561	-378,972	225,009	57,533	20,753	31.44
TECO Electric & Machinery Sdn.Bhd.	58,446	392,894	53,779	339,115	342,340	20,095	19,579	22.20
Jiangxi TECO Electric & Machinery Co., Ltd.	1,455,218	1,825,158	287,699	1,537,459	793,494	66,137	65,912	N/A
Qingdao TECO Precision Mechatronics Co., Ltd	813,470	747,355	471,302	276,053	872,636	-47,223	-149,518	N/A
Teco Westinghouse Motor Company S. A. de C. V.	48,937	141,945	119,622	22,323	200,726	11,987	8,056	N/A
TYM Electric & Machinery Sdn. Bhd.	3,313	137,907	29,150	108,757	169,689	14,536	13,710	27.00
Teco (Vietnam) Electronic & Machinery Company Ltd.	344,119	691,994	445,036	246,958	835,183	-92,174	-91,557	N/A
TECO Technology (Vietnam) Co., Ltd.	419,522	706,549	383,583	322,966	416,740	-1,279	-2,206	N/A
Asia Innovative Technology (Xiamen) Co., Ltd.	810,256	292,225	18,775	273,450	45,640	-2,655	1,579	N/A
Fujian TECO Precision Co., Ltd.	365,351	119,154	70,985	48,169	0	-10,034	-6,265	N/A
Teco Appliance (HK) Co., Ltd.	5,331	2,521	0	2,521	0	-30	-30	-0.02
An-Sheng Travel Co., Ltd.	30,000	12,156	699	11,457	5,642	-1,878	-1,120	-0.37
Hubbell-Taian Co., Ltd.	27,200	61,078	0	61,078	0	2,311	2,311	0.85
Information Technology (Wuxi) Co., Ltd.	10,786	45,525	16,998	28,527	73,340	1,736	2,116	N/A
Information Technology Total Service (Xiamen) Ltd.	4,344	585	915	-330	620	-177	-177	N/A
GreyBack International Property Inc.	27,683	32,120	797	31,323	0	-65	-66	-0.07
Teco Group Science-Technology (Hang Zhou) Co., Ltd.	9,870	22,207	887	21,320	23,941	126	291	N/A
Taian-Jaya Electric Sdn. Bhd.	6,627	83,077	30,409	52,668	100,145	10,244	7,271	7.27

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS (NT\$)
TECO CAPITAL INC.	18,217	10,041	0	10,041	0	0	2,853	4.33
TECO (PHILIPPINES) 3C & APPLIANCES, INC.	27,081	49,911	53,902	-3,991	34,013	1,812	1,270	1.30
Taiwan Pelican Express Co., Ltd.	954,670	5,010,457	2,259,630	2,750,827	4,466,137	284,516	240,501	2.52
Jiangxi TECO Air Conditioning Equipment Co., Ltd.	161,019	250,996	124,030	126,966	349,309	2,763	4,277	N/A
Pelecanus Express Pte. Ltd.	24,912	2,380	138	2,242	0	-140	-140	-0.16
Qingdao TECO Innovation Co., Ltd.	56,841	67,228	26,855	40,373	5,830	573	1,024	N/A
TECO Technology & Marketing Center Co., Ltd.	7,215	4,433	40,045	-35,612	0	0	88	N/A
TECOCAPITAL INVESTMENT (SAMOA) Co., Ltd.	55,360	40,337	0	40,337	0	0	1,057	0.53
Beijing Pelican Express Co., Ltd.	0	0	0	0	0	0	0	N/A
Technical Information International Co., Ltd.	43,440	14,883	1,663	13,220	18,982	2,770	2,825	N/A
Shanghai TECO Electric & Machinery Co., Ltd.	59,211	1,931,176	1,721,372	209,804	6,092,679	113,902	92,530	N/A
TECO Electric and Machinery GmbH.	783	5,919	5,762	157	16,853	16,325	33	1.32
Tecom Co., Ltd.	945,998	2,042,193	1,563,662	478,531	1,070,339	7,229	17,986	0.19
Baycom Opto-Electronics Technology Co., Ltd.	335,913	553,230	98,575	454,655	283,092	23,769	22,608	0.67
Tecom Global Tech Investment (B.V.I.) Limited	33,156	-1,151	0	-1,151	0	0	872	0.88
Wuhan Tecom Co., Ltd.	7,191	31,938	33,169	-1,231	84,716	-1,272	852	N/A
Qingdao Jie Zheng Property Service & Management Company	5,664	2,941	643	2,298	0	-182	-182	N/A
Donghua Enterprise Co., Ltd.	18,000	219,531	133,909	85,622	373,936	58,936	46,702	25.95
Teco Elektrik Turkey A.S	12,861	8,253	87	8,166	1,653	-2,274	3,284	N/A
Motovario S.p.A.	564,073	7,987,290	3,663,658	4,323,632	4,688,472	416,113	291,596	16.19
Motovario SAU(Spain)	20,700	231,022	205,646	25,376	491,215	11,042	10,610	N/A
Motovario Ltd	13,590	219,710	201,223	18,487	274,289	6,112	12,613	N/A
Motovario GMBH	10,089	58,183	98,333	-40,150	203,805	15,628	15,358	N/A
Motovario Corp.	8,581	566,538	74,108	492,430	561,748	72,335	54,100	N/A
Motovario S.A(France)	10,126	97,221	91,748	5,473	227,780	-6,466	-6,628	N/A
Motovario Int. Trading Co. Ltd	7,191	52,950	27,294	25,656	77,303	3,669	3,326	N/A
Motovario Gear Solution Private Ltd	4,649	130,023	247,713	-117,690	125,983	2,991	11,673	N/A
Eagle Holding Co.	3,076,649	4,258,650	0	4,258,650	0	0	304,348	N/A
TECO MOTOR B.V.	3,132,313	4,258,660	0	4,258,660	0	0	267,953	N/A
Wuxi TECO Precision Mechatronics Co., Ltd	854,951	1,192,483	374,276	818,207	1,081,467	19,384	20,722	N/A
Century Development Corporation	3,509,055	10,359,848	3,794,157	6,565,691	817,749	396,803	348,228	0.99
Century Tech. C&M Corporation	22,500	131,297	128,342	2,955	15,404	2,890	2,667	1.19
United Development Corporation	108,310	177,393	33,423	143,970	3,808	737	11,385	1.05
Teco Industrial System Private Limited	5,538	3,729	5,159	-1,430	10,071	-1,160	-1,087	-0.73

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS (NT\$)
Teco Electrical Industries Private Limited	24,174	51,564	59,216	-7,652	75,759	-13,145	-14,691	-2.26
Yatec Engineering (VN) Company Limited	17,121	57,928	42,238	15,690	134,067	851	855	N/A
Century Real Estate (International) Pte. Ltd.	841,472	679,101	83	679,018	0	-84	-15,964	-0.53
CDC Development India Private	751,238	716,249	46,813	669,436	4,743	-15,228	-15,787	-0.08
Century Biotech Development Corporation	2,500,000	3,888,583	1,438,672	2,449,911	0	-8,047	-1,198	0.00
Teco Sun Energy	70,000	213,631	136,735	76,896	23,302	9,776	6,205	0.09
Am Smart Technology	20,000	23,248	15,685	7,563	28,454	-3,089	-3,027	-1.51
Temico International Pte.Ltd.	250,734	236,747	112	236,635	0	-142	-11,836	-1.31
TECO EV Philippines Corporation	29,408	8,876	16,222	-7,346	436	-2,600	-1,810	-0.03
Euro Asia MADO	22,500	19,842	2,869	16,973	2,588	-6,036	-5,455	-0.24
Jing Lao Man Restaurant	28,000	20,755	34,257	-13,502	44,745	-15,362	-13,245	-4.73
Ejoy Australia Pty. Ltd.	70,280	25,963	5,341	20,622	26,515	-18,047	-18,215	-5.20
Motovario Australia Pty. Ltd.	0	0	0	0	0	0	0	N/A
Teco Electric Motors Africa Pty. Ltd.	0	789	0	789	0	-104	-100	N/A
EJOY AUSTRALIA HOLDINGS PTY LTD.	0	0	0	0	0	0	0	N/A
F C R Motion Technology Pty. Ltd.	52,549	204,756	95,822	108,934	270,206	35,151	24,252	9.27
Temico Motor India Private Limited	26,814	21,918	8,135	13,783	164	-11,860	-11,818	N/A
Pelican Express (Vietnam) Company Limited	5,561	8,913	3,066	5,847	19,659	364	370	N/A
Temico India Private Limited	0	0	0	0	0	0	0	N/A

8.2 Private Placement Securities in the Most Recent Years

None

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

Unit: NT\$ thousand; Shares; %

Name of subsidiary	Stock capital collected	Fund source	Shareholding ratio of the company	Date of acquisition or disposition	Shares and amount acquired	Shares and amount disposed of	Investment gain (loss)	Shareholdings & amount in the most recent year	Mortgage	Endorsement amount made for the subsidiary	Amount loaned to the subsidiary
Tong An Investment Co., Ltd.	5,109,046	Working Capital	99.60%	Successive Acquisition	19,540,052Shares \$232,969	-	-	19,540,052Shares \$628,213	None	-	-
An Tai International Investment Co., Ltd.	348,500	Working Capital	100.00%	Successive Acquisition	2,825,748Shares \$87,870	-	-	2,825,748Shares \$90,848	None	-	-
Donghua Enterprise Co., Ltd.	18,000	Working Capital	0.00%	Successive Acquisition	77,222 shares \$724	-	-	77,222 shares \$2,483	None	-	-
Taiwan Pelican Co., Ltd.	954,670	Working Capital	32.15%	Successive Acquisition	7,070,000 shares \$190,147	-		7,070,000 shares \$227,301	None	-	-

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, 2021 and 2020, 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, 2021 and 2020, 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 audits 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. 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 2021 financial statements are stated as follows:

Revenue recognition of export sales of Green Mechatronic solution business Group

Description

Refer to Note 4(30) of the parent company only financial statements for the accounting policies on revenue recognition. The Green Mechatronic solution business Group handles the manufacturing and sales of various machinery, equipment and motors. Aside from domestic sales in Taiwan, the customers of Green Mechatronic solution business 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 Green Mechatronic solution business 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 Green Mechatronic solution business Group to assess the effectiveness of the internal control process.
2. Validated selected samples of export sales revenue transactions of Green Mechatronic solution business 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\$3,875,845 thousand and NT\$3,602,033 thousand, both constituting 4% of the related total assets as of December 31, 2021 and 2020, and the comprehensive income amounting to NT\$256,818 thousand and NT\$22,376 thousand, constituting 1% and 0.3% 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 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 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:

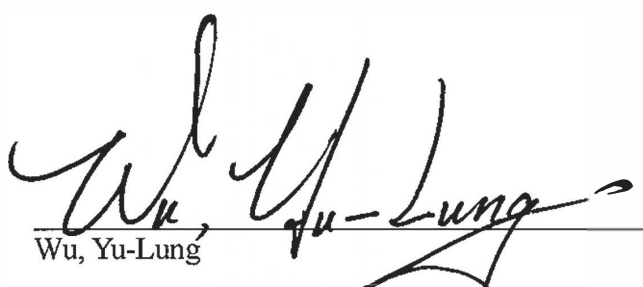
1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The 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 control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient 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 16, 2022

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

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

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 211,793	-	\$ 716,313	1
1140	Current contract assets		2,295,829	2	1,197,505	2
1150	Notes receivable, net	6(4)	234,765	-	130,742	
1160	Notes receivable - related parties	7	380,157	-	260,782	-
1170	Accounts receivable, net	6(4)	2,464,544	2	2,086,078	3
1180	Accounts receivable - related parties	7	1,560,149	2	1,346,963	2
1200	Other receivables		103,827	-	90,380	-
1210	Other receivables - related parties	6(6) and 7	610,925	1	706,840	1
130X	Inventories, net	6(5)	3,388,294	3	2,752,379	3
1410	Prepayments		40,909	-	77,209	-
1470	Other current assets	6(1) and 8	986,639	1	1,103,197	1
11XX	Total current assets		12,277,831	11	10,468,388	13
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	2,322,450	2	2,167,106	3
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	11,759,402	11	6,258,752	8
1550	Investments accounted for under equity method	6(6)	77,181,869	70	56,247,996	69
1600	Property, plant and equipment,net	6(7) and 7	3,056,759	3	3,093,090	4
1755	Right-of-use assets	6(8) and 7	38,021	-	117,727	-
1760	Investment property,net	6(9)	2,103,867	2	2,129,289	2
1840	Deferred income tax assets	6(26)	891,001	1	820,010	1
1900	Other non-current assets	6(1)(10) and 8	471,213	-	293,957	-
15XX	Total non-current assets		97,824,582	89	71,127,927	87
1XXX	Total assets		\$ 110,102,413	100	\$ 81,596,315	100

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 445,807	-	\$ 1,207,660	2
2130	Current contract liabilities	6(20)	962,458	1	1,051,725	1
2150	Notes payable		56,062	-	5,223	-
2160	Notes payable - related parties	7	76,417	-	115,207	-
2170	Accounts payable		3,885,993	4	3,518,109	5
2180	Accounts payable - related parties	7	1,445,845	1	929,088	1
2200	Other payables		2,868,515	3	2,601,865	3
2220	Other payables - related parties	7	171,304	-	160,599	-
2230	Current income tax liabilities	6(26)	266,443	-	253,854	-
2250	Provisions for liabilities - current		105,205	-	98,588	-
2280	Current lease liabilities	6(8) and 7	11,532	-	87,355	-
2320	Long-term liabilities, current portion	6(13)	1,000,000	1	-	-
2399	Other current liabilities, others		154,580	-	109,858	-
21XX	Total current liabilities		11,450,161	10	10,139,131	12
Non-current liabilities						
2530	Corporate bonds payable	6(13)	5,000,000	5	6,000,000	7
2540	Long-term borrowings	6(14)	2,000,000	2	1,180,000	2
2570	Deferred income tax liabilities	6(26)	1,086,808	1	1,022,068	1
2580	Non-current lease liabilities	6(8) and 7	1,238	-	5,340	-
2600	Other non-current liabilities	6(15)	1,350,443	1	1,421,481	2
25XX	Total non-current liabilities		9,438,489	9	9,628,889	12
2XXX	Total liabilities		20,888,650	19	19,768,020	24
Equity						
	Share capital	6(16)				
3110	Common stock		21,387,966	20	19,676,929	24
	Capital surplus	6(17)				
3200	Capital surplus		9,529,520	8	7,386,901	9
	Retained earnings	6(18)				
3310	Legal reserve		7,374,048	7	7,024,635	9
3320	Special reserve		3,640,779	3	3,640,779	5
3350	Unappropriated retained earnings		19,712,565	18	17,271,503	21
	Other equity interest	6(19)				
3400	Other equity interest		28,080,595	25	7,339,258	9
3500	Treasury stocks	6(6)(16)	(511,710)	-	(511,710)	(1)
3XXX	Total equity		89,213,763	81	61,828,295	76
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 110,102,413	100	\$ 81,596,315	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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share)

				Year ended December 31			
			2021		2020		
Items	Notes	AMOUNT	%	AMOUNT	%		
4000 Sales revenue	6(20) and 7	\$ 22,940,571	100	\$ 19,819,029	100		
5000 Operating costs	6(5)(15)(25) and 7	(18,666,184)	(81)	(15,808,505)	(80)		
5900 Net operating margin		4,274,387	19	4,010,524	20		
5910 Unrealized profit from sales	7	(375,720)	(2)	(450,133)	(2)		
5920 Realized profit from sales		450,133	2	500,745	3		
5950 Net operating margin		4,348,800	19	4,061,136	21		
Operating expenses	6(15)(25) and 7						
6100 Selling expenses		(1,869,845)	(8)	(1,890,669)	(9)		
6200 General and administrative expenses		(541,455)	(2)	(530,160)	(3)		
6300 Research and development expenses		(567,739)	(3)	(555,889)	(3)		
6450 Expected credit impairment gains (losses)		7,223	-	(9,385)	-		
6000 Total operating expenses		(2,971,816)	(13)	(2,986,103)	(15)		
6900 Operating profit		1,376,984	6	1,075,033	6		
Non-operating income and expenses							
7100 Interest income	6(21) and 7	2,840	-	11,599	-		
7010 Other income	6(3)(9)(22) and 7	919,906	4	929,030	5		
7020 Other gains and losses	6(2)(12)(23) and 7	(239,191)	(1)	(124,450)	(1)		
7050 Finance costs	6(8)(24) and 7	(70,028)	-	(95,875)	-		
7070 Share of profit of subsidiary, associates and joint ventures accounted for under equity method	6(6)	3,366,183	14	1,862,858	9		
7000 Total non-operating income and expenses		3,979,710	17	2,583,162	13		
7900 Profit before income tax		5,356,694	23	3,658,195	19		
7950 Income tax expense	6(26)	(343,560)	(1)	(146,837)	(1)		
8200 Profit for the year		\$ 5,013,134	22	\$ 3,511,358	18		
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(15)	(\$ 20,206)	-	(\$ 6,235)	-		
8316 Unrealised gains and losses on valuation of investments measured at fair value through other comprehensive income	6(3)(19)	1,304,003	6	(1,200,833)	(6)		
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		20,709,937	90	5,299,291	27		
8310 Components of other comprehensive income that will not be reclassified to profit or loss		21,993,734	96	4,092,223	21		
Other comprehensive loss that will be reclassified to profit or loss							
8361 Currency translation differences of foreign operations	6(19)	(1,159,046)	(5)	(406,873)	(2)		
8399 Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(19)(26)	133,697	-	65,922	-		
8360 Components of other comprehensive loss that will be reclassified to profit or loss		(1,025,349)	(5)	(340,951)	(2)		
8300 Other comprehensive income for the year		\$ 20,968,385	91	\$ 3,751,272	19		
8500 Total comprehensive income for the year		\$ 25,981,519	113	\$ 7,262,630	37		
Earnings per share (in dollars)							
9750 Basic earnings per share	6(27)	\$ 2.38		\$ 1.81			
9850 Diluted earnings per share		\$ 2.38		\$ 1.81			

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
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	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 equity
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
6(19) Other comprehensive (loss) income for the year	-	-	-	-	(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
6(18) Appropriations of 2019 earnings	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	(190,147)	(190,147)
Effect of changes in net equity of associates and joint ventures accounted for under the equity method	-	(2,676)	-	-	-	-	-	-	(2,676)
6(3)(19) Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	690	-	(690)	-	-
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
2021									
Balance at January 1, 2021	\$ 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
Profit for the year	-	-	-	-	5,013,134	-	-	-	5,013,134
6(19) Other comprehensive (loss) income for the year	-	-	-	-	(33,085)	(1,025,349)	22,026,819	-	20,968,385
Total comprehensive income (loss)	-	-	-	-	4,980,049	(1,025,349)	22,026,819	-	25,981,519
6(18) Appropriations of 2020 earnings	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	349,413	-	(349,413)	-	-	-	-
Cash dividends	-	-	-	-	(2,459,616)	-	-	-	(2,459,616)
6(16) Common shares issued for share conversion	1,711,037	2,097,884	-	-	-	-	-	-	3,808,921
Effect of changes in net equity of associates and joint ventures accounted for under the equity method	-	44,735	-	-	-	-	-	-	44,735
6(3)(19) Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	284,557	-	(284,557)	-	-
Effect of changes in decrease in entities of associates	-	-	-	-	(14,515)	9,909	14,515	-	9,909
Balance at December 31, 2021	\$ 21,387,966	\$ 9,529,520	\$ 7,374,048	\$ 3,640,779	\$ 19,712,565	(\$ 4,033,116)	\$ 32,113,711	(\$ 511,710)	\$ 89,213,763

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 5,356,694	\$ 3,658,195
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(2)(23)	(340,478)	(409,084)
Net loss (gain) on financial liabilities at fair value through profit or loss	6(12)(23)	852	907
Expected credit impairment (gain) loss	12(2)	(7,223)	9,385
Interest income	6(21)	(2,840)	11,599
Interest expense	6(24)	68,091	91,110
Dividend income	6(22)	(499,979)	(316,018)
Loss on disposal of investments	6(23)	3,481	-
Changes in unrealized gain from downstream sales		(74,413)	(50,612)
Share of profit of associates and joint ventures accounted for under the equity method	6(6)	(3,366,183)	(1,862,858)
Depreciation, amortization and net gain or loss on disposal of property, plant and equipment, net	6(7)(8)(9)(23)(25)	418,529	576,233
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		(1,098,324)	(140,304)
Notes receivable		(104,151)	168,159
Notes receivable - related parties		(119,375)	88,511
Accounts receivable		(379,925)	(705,276)
Accounts receivable - related parties		(204,109)	(89,655)
Other receivables		(13,447)	1,857
Other receivables - related parties		4,584	348,177
Inventories		(635,915)	(239,577)
Prepayments		36,300	252,002
Other current assets		116,558	(919,586)
Financial assets at fair value through profit or loss - non-current		185,134	208,122
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss - current		(852)	907
Current contract liabilities		(89,267)	620,369
Notes payable		50,839	(6,862)
Notes payable - related parties		(38,790)	(17,350)
Accounts payable		367,884	900,911
Accounts payable - related parties		516,757	(69,037)
Other payables		240,273	18,301
Other payables - related parties		10,705	21,236
Provisions for liabilities		6,617	(4,418)
Other current liabilities		44,722	21,990
Other non-current liabilities		(92,995)	(154,306)
Cash inflow generated from operations		359,754	1,988,016
Interest received	6(21)	2,840	11,599
Dividends received		1,939,580	751,465
Payment of interest		(68,275)	(99,956)
Payment of income tax		(203,525)	(116,701)
Net cash flows from operating activities		2,030,374	2,534,423

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in other receivables - related parties - financing	7	\$ 98,722	\$ 56,850
Increase in investments accounted for under equity method		(230,304)	(47,879)
Proceeds from disposal of property, plant and equipment		7,214	288
Acquisition of property, plant and equipment	6(7)(28)	(237,017)	(139,954)
Increase in deferred expenses		(11,869)	(23,376)
Decrease in refundable deposits		8,510	55,827
Increase in bank deposit under the regulation governing the management, utilization, and taxation of repatriated offshore funds	6(10)	(191,813)	(169,411)
Dividends received		499,979	316,018
Proceeds from disposal of investments accounted for under the equity method		5,869	-
Decrease (increase) in other non-current assets		1,745	(81,451)
Net cash flows used in investing activities		(48,964)	(33,088)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term loans		(761,853)	1,152,460
Decrease in other payables - related parties financing	7	-	(499,800)
Proceeds from issuance of bonds	6(13)	-	5,000,000
Repayment of bonds	6(13)	-	(3,000,000)
Increase (decrease) in long-term loans		820,000	(3,119,967)
Cash dividends paid	6(18)	(2,459,616)	(1,948,016)
Lease liabilities paid		(84,461)	(74,587)
Net cash flows used in financing activities		(2,485,930)	(2,489,910)
Net (decrease) increase in cash and cash equivalents		(504,520)	11,425
Cash and cash equivalents at beginning of year		716,313	704,888
Cash and cash equivalents at end of year		\$ 211,793	\$ 716,313

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, 2021 AND 2020

(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 16, 2022.

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 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
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 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 2022 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 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.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 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 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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 "Regulations Governing the Preparation of Financial Reports by Securities Issuers"

(2) Basis of preparation

A. Except for the following items, these 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 and liabilities 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 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

- 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 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 settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled 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 assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss 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 contractual rights to receive cash flows of the financial asset have been transferred; however, the company has not retained control of the financial asset.

(11) 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.

(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

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 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, 2021	December 31, 2020
Cash on hand and revolving funds	\$ 281	\$ 300
Checking accounts and demand deposits	211,512	716,013
	<u>\$ 211,793</u>	<u>\$ 716,313</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, 2021 and 2020, certain bank deposits amounting to \$1,168,549 and \$1,080,301, 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, 2021	December 31, 2020
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed and OTC stocks	\$ 874,131	\$ 879,118
Non-listed and OTC stocks	810,394	810,394
Money Market Fund	<u>209,500</u>	<u>216,223</u>
	1,894,025	1,905,735
Valuation adjustment	<u>428,425</u>	<u>261,371</u>
	<u>\$ 2,322,450</u>	<u>\$ 2,167,106</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, 2021	For the year ended December 31, 2020
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	<u>\$ 340,478</u>	<u>\$ 409,084</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, 2021	December 31, 2020
Non-current items:		
Listed and OTC stocks	\$ 9,426,278	\$ 5,229,631
Non-listed and OTC stocks	<u>47,148</u>	<u>47,148</u>
	9,473,426	5,276,779
Valuation adjustment	<u>2,285,976</u>	<u>981,973</u>
	<u>\$ 11,759,402</u>	<u>\$ 6,258,752</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 \$11,759,402 and \$6,258,752 as at December 31, 2021 and 2020, respectively.
- B. Amounts recognized in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

Equity instruments at fair value through other comprehensive income	For the year ended December 31, 2021	For the year ended December 31, 2020
Fair value change recognized in other comprehensive income	\$ 1,304,003	(\$ 1,200,833)
Cumulative gains reclassified to retained earnings due to derecognition	\$ -	\$ -
Dividend income recognised in profit or loss		
Held at end of year	\$ 414,965	\$ 232,177
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, 2021	December 31, 2020
Notes receivable	\$ 235,370	\$ 131,219
Less: Allowance for bad debts	(605)	(477)
	<u>\$ 234,765</u>	<u>\$ 130,742</u>
Accounts receivable	\$ 2,491,659	\$ 2,113,288
Less: Allowance for bad debts	(27,115)	(27,210)
	<u>\$ 2,464,544</u>	<u>\$ 2,086,078</u>

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

	December 31, 2021	December 31, 2020
Not past due	\$ 2,190,738	\$ 1,782,525
Up to 30 days	181,445	87,365
31 to 90 days	26,868	88,949
91 to 180 days	60,262	22,177
Over 180 days	<u>239,996</u>	<u>235,804</u>
	<u>\$ 2,699,309</u>	<u>\$ 2,216,820</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2021 and 2020, 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, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,063,107	(\$ 26,551)	\$ 1,036,556
Work in progress	553,317	(3,969)	549,348
Finished goods	1,743,182	(82,691)	1,660,491
Inventory in transit	141,899	-	141,899
	<u>\$ 3,501,505</u>	<u>(\$ 113,211)</u>	<u>\$ 3,388,294</u>
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>

The cost of inventories recognized as expense for the years ended December 31, 2021 and 2020 was \$13,489,773 and \$12,082,234, respectively, including \$60,562 and \$121,072 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, 2021 and 2020, respectively.

(6) Investments accounted for under the equity method

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries:		
1. Teco International Investment Co., Ltd.	\$ 1,811,724	\$ 1,352,017
2. Teco Holding USA Inc.	10,353,077	10,425,934
3. Teco Electric & Machinery (Pte) Ltd.	3,304,645	3,374,863
4. Tong-An Investment Co., Ltd.	35,432,266	15,044,580
5. United View Global Investment Co., Ltd.	7,933,545	7,914,568
6. Micropac Worldwide Investment (BVI)	1,215,005	1,344,056
7. Tong-An Assets Management & Development Co., Ltd.	5,290,937	5,287,463
8. Eagle Holding Co.	4,281,054	4,438,391
9. Century Development Corporation	1,365,341	1,290,626
10. Others	3,643,660	3,194,642
	<u>74,631,254</u>	<u>53,667,140</u>
Associates:		
1. Tung Pei Industrial Co., Ltd.	\$ 2,313,312	\$ 2,134,415
2. Lien Chang Electronic Enterprise Co., Ltd.	498,574	465,947
3. Others	114,449	430,627
	<u>2,926,335</u>	<u>3,030,989</u>
	77,557,589	56,698,129
Less: Unrealized profit from sales	(375,720)	(450,133)
	77,181,869	56,247,996
Less: Credit balance of investments accounted for using equity method such as Teco 3C (shown as deductions on other receivables - related parties)	(9,705)	(7,953)
	<u>\$ 77,172,164</u>	<u>\$ 56,240,043</u>

The share of profit/loss of associates and joint ventures accounted for under equity method for the years ended December 31, 2021 and 2020 are as follows:

	For the year ended December 31, 2021	For the year ended December 31, 2020
Subsidiaries:		
1. Teco Holding USA Inc.	\$ 231,794	\$ 393,745
2. Teco Electric & Machinery (Pte) Ltd.	71,951	58,998
3. Tong-An Investment Co., Ltd.	1,515,812	579,946
4. United View Global Investment Co., Ltd.	322,588	368,495
5. Eagle Holding Co.	291,581	39,240
6. Century Development Co., Ltd.	94,203	14,149
7. Tong Dai Co., Ltd.	87,196	44,254
8. Others	443,560	217,336
	<u>3,058,685</u>	<u>1,716,163</u>
Associates:		
1. Tung Pei Industrial Co., Ltd.	253,922	122,438
2. Lien Chang Electronic Enterprise Co., Ltd.	38,830	15,831
3. Others	14,746	8,426
	<u>307,498</u>	<u>146,695</u>
	<u>\$ 3,366,183</u>	<u>\$ 1,862,858</u>

A. Subsidiaries:

- (a) For the years ended December 31, 2021 and 2020, 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 \$256,818 and \$22,376 for the years ended December 31, 2021 and 2020, respectively. The related balance of investment accounted for using equity method was \$3,875,845 and \$3,602,033 as of December 31, 2021 and 2020, respectively.
- (b) As of December 31, 2021 and 2020, the Company's common stocks owned by its subsidiaries, Tong-An Investment Co., Ltd. and others, totalling \$511,710 (29,513 thousand shares) and \$511,710 (29,513 thousand shares), were transferred from the investments accounted for using equity method to treasury stock.
- (c) Please refer to Note 4(3) of the 2021 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, 2021	December 31, 2020		
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%	"	"

- (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, 2021	December 31, 2020
Current assets	\$ 4,638,552	\$ 3,887,356
Non-current assets	7,178,933	7,062,790
Current liabilities	(2,936,294)	(2,408,178)
Non-current liabilities	(1,450,643)	(1,686,638)
Total assets	\$ 7,430,548	\$ 6,855,330
Share in associate's net assets	\$ 2,313,312	\$ 2,134,415
Goodwill	-	-
Carrying amount of the associate	\$ 2,313,312	\$ 2,134,415

	Lien Chang Electronic Enterprise Co., Ltd.	
	December 31, 2021	December 31, 2020
Current assets	\$ 1,610,794	\$ 1,716,152
Non-current assets	460,488	581,325
Current liabilities	(508,731)	(880,136)
Non-current liabilities	(89,398)	(40,593)
Total assets	\$ 1,473,153	\$ 1,376,748
Share in associate's net assets	\$ 498,574	\$ 465,947
Goodwill	-	-
Carrying amount of the associate	\$ 498,574	\$ 465,947

Statement of comprehensive income

	Tung Pei Industrial Co., Ltd.	
	For the year ended December 31, 2021	For the year ended December 31, 2020
Revenue	\$ 5,790,986	\$ 4,549,967
Profit for the period from continuing operations	816,173	393,323
Other comprehensive loss, net of tax	(2,081)	(64,366)
Total comprehensive income	\$ 814,092	\$ 328,957
Dividends received from associates	\$ 74,376	\$ 54,803

	Lien Chang Electronic Enterprise Co., Ltd.	
	For the year ended December 31, 2021	For the year ended December 31, 2020
Revenue	\$ 1,566,696	\$ 2,298,426
Gain profit for the period from continuing operations	114,731	46,775
Other comprehensive income, net of tax	9,406	13,658
Total comprehensive income	\$ 124,137	\$ 60,433
Dividends received from associates	\$ 9,386	\$ -

- (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, 2021 and 2020, the carrying amount of the Company's individually immaterial associates amounted to \$114,449 and \$430,627, respectively.

	For the year ended December 31, 2021	For the year ended December 31, 2020
Profit for the period from continuing operations	\$ 14,746	\$ 8,426
Total comprehensive income	\$ 14,746	\$ 8,426

- (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, 2021	December 31, 2020
Lien Chang Electronic Enterprise Co., Ltd.	\$ 519,959	\$ 461,769

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	Leased assets - machinery and equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Total
At January 1, 2021								
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>
2021								
Opening net book amount	\$ 1,516,834	\$ 722,776	\$ 411,087	\$ 42,401	\$ 640	\$ 19,567	\$ 379,785	\$ 3,093,090
Additions	-	7,237	49,678	-	-	48,660	158,696	264,271
Disposals	(3,020)	(3,688)	(3,153)	-	(213)	-	(899)	(10,973)
Reclassifications	(9,757)	(11,354)	7,232	(6,791)	-	-	(441)	(21,111)
Depreciation charge	-	(28,571)	(93,065)	(1,035)	(146)	(12,957)	(132,744)	(268,518)
Closing net book amount	<u>\$ 1,504,057</u>	<u>\$ 686,400</u>	<u>\$ 371,779</u>	<u>\$ 34,575</u>	<u>\$ 281</u>	<u>\$ 55,270</u>	<u>\$ 404,397</u>	<u>\$ 3,056,759</u>
At December 31, 2021								
Cost	\$ 1,538,754	\$ 1,360,971	\$ 4,631,294	\$ 630,893	\$ 2,554	\$ 212,216	\$ 3,562,642	\$ 11,939,324
Accumulated depreciation and impairment	(34,697)	(674,571)	(4,259,515)	(596,318)	(2,273)	(156,946)	(3,158,245)	(8,882,565)
	<u>\$ 1,504,057</u>	<u>\$ 686,400</u>	<u>\$ 371,779</u>	<u>\$ 34,575</u>	<u>\$ 281</u>	<u>\$ 55,270</u>	<u>\$ 404,397</u>	<u>\$ 3,056,759</u>

	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>

- A. For the years ended December 31, 2021 and 2020, 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 land, 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 3,993	\$ 84,179
Land	31,022	32,213
Transportation equipment (Business vehicles)	2,523	1,335
Machinery and equipment	483	-
	<u>\$ 38,021</u>	<u>\$ 117,727</u>
	<u>For the year ended</u>	<u>For the year ended</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 80,375	\$ 80,484
Land	1,191	1,191
Transportation equipment (Business vehicles)	1,936	433
Machinery and equipment	46	-
	<u>\$ 83,548</u>	<u>\$ 82,108</u>

- C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets was \$5,535 and \$155,497, respectively.
- D. Interest expenses on lease liabilities for the years ended December 31, 2021 and 2020 were \$693 and \$1,765 and the cash outflows were \$158,321 and \$130,616, respectively.
- E. Expenses on short-term leases and leases of low-value assets for the years ended December 31, 2021 and 2020 were \$71,794 and \$54,041, \$2,066 and \$1,988, respectively.

(9) Investment property

	Land	Buildings and structures	Total
<u>At January 1, 2021</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>
<u>2021</u>			
Opening net book amount	\$ 1,246,469	\$ 882,820	\$ 2,129,289
Reclassifications	9,757	11,354	21,111
Depreciation charge	-	(46,533)	(46,533)
Closing net book amount	<u>\$ 1,256,226</u>	<u>\$ 847,641</u>	<u>\$ 2,103,867</u>
<u>At December 31, 2021</u>			
Cost	\$ 1,256,226	\$ 1,955,967	\$ 3,212,193
Accumulated depreciation and impairment	-	(1,108,326)	(1,108,326)
	<u>\$ 1,256,226</u>	<u>\$ 847,641</u>	<u>\$ 2,103,867</u>
	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>

- 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, 2021	For the year ended December 31, 2020
Rental income from investment property	\$ 152,694	\$ 149,259
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 19,794	\$ 20,655
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, 2021 and 2020 was \$4,119,415 and \$3,951,966 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, 2021	December 31, 2020
Prepayment for equipment	\$ 74,200	\$ 82,945
Refundable deposits	12,647	21,157
Deferred expenses	14,934	19,236
Deposits account for the repatriation of capital from Taiwan's offshore companies	361,224	169,411
Other assets	8,208	1,208
	\$ 471,213	\$ 293,957

- A. 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. As of December 31, 2021, the company had submitted the investment plan to the Industrail Development Bureau, Ministry of Economic Affairs, and the investment plan was approved. Also, the company withdrew funds from the specific account for reinvestment.
- B. The Group's repatriation of offshore reinvestment income amounting to US\$10,500,000 is allowed to apply a preferential tax rate of 10% and shall be reserved in foreign exchange deposit account before having substantial investments as a result of the Group meeting 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 26, 2021. As of December 31, 2021, no withdrawal has been made from the specific account.
- C. The Group's repatriation of offshore reinvestment income amounting to US\$4,000,000 is allowed to apply a preferential tax rate of 10% and shall be reserved in foreign exchange deposit account before having substantial investments as a result of the Group meeting 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, 2021. As of December 31, 2021, no withdrawal has been made from the specific account.

(11) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 445,807	0.60%~0.86%	None
Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 1,207,660	0.62%~0.72%	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, 2021 and 2020.
- B. The Company recognized net (loss) income of (\$852) and \$907 on financial liabilities held for trading for the years ended December 31, 2021 and 2020, 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, 2021	December 31, 2020
Issuance of bonds payable	\$ 6,000,000	\$ 6,000,000
Less : Bonds payable due in one year (listed as ' 2320 Long-term liabilities, current portion')	(1,000,000)	-
	<u>\$ 5,000,000</u>	<u>\$ 6,000,000</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, 2021
Long-term bank borrowings and commercial papers payable	Borrowing period is from Feb. 3, 2021 to June 30, 2024; payable at maturity	0.62%~0.98%	None	<u>\$ 2,000,000</u>

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>

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, 2021 and 2020, the Company has undrawn borrowing facilities of \$14,784,485 and \$16,061,102, respectively.

(15) Pensions

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

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

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	(\$ 1,543,158)	(\$ 1,606,203)
Fair value of plan assets	<u>242,355</u>	<u>223,075</u>
Net defined benefit liability	<u>(\$ 1,300,803)</u>	<u>(\$ 1,383,128)</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, 2021			
Balance at January 1	(\$ 1,606,203)	\$ 223,075	(\$ 1,383,128)
Current service cost	(5,881)	-	(5,881)
Interest (expense) income	(7,787)	1,127	(6,660)
	(1,619,871)	224,202	(1,395,669)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	3,243	3,243
Change in demographic assumptions	(29,992)	-	(29,992)
Change in financial assumptions	27,815	-	27,815
Experience adjustments	(21,272)	-	(21,272)
	(23,449)	3,243	(20,206)
Pension fund contribution	-	100,945	100,945
Paid pension	86,035	(86,035)	-
Paid from the account	14,127	-	14,127
Balance at December 31	(\$ 1,543,158)	\$ 242,355	(\$ 1,300,803)

	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	(\$ 1,697,362)	\$ 171,576	(\$ 1,525,786)
Current service cost	(7,781)	-	(7,781)
Interest (expense) income	(14,787)	1,121	(13,666)
	(1,719,930)	172,697	(1,547,233)
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	33,382	-	33,382
	(14,175)	7,940	(6,235)
Pension fund contribution	-	153,079	153,079
Paid pension	110,641	(110,641)	-
Paid from the account	17,261	-	17,261
Balance at December 31	(\$ 1,606,203)	\$ 223,075	(\$ 1,383,128)

(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, 2021 and 2020 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, 2021	Year ended December 31, 2020
Discount rate	0.75%	0.50%
Future salary increas	1.75%	1.75%

Assumptions regarding future mortality experience are set based on the 6th 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, 2021				
Effect on present value of defined benefit obligation	(\$ 53,295)	\$ 56,446	\$ 55,614	(\$ 53,054)
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 59,095)	\$ 62,773	\$ 61,687	(\$ 58,685)

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, 2022 amount to \$82,099.
- (g) As of December 31, 2021, the weighted average duration of that retirement plan is 7.2 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, 2021 and 2020 were \$68,605 and \$68,838, respectively.
- (16) Share capital

- A. As of December 31, 2021, 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 \$21,387,966 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, 2021	Year ended December 31, 2020
Balance at January 1	1,967,693	1,967,693
Ordinary shares issued	171,104	-
Balance at December 31	2,138,797	1,967,693

- B. 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.

- 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, 2021 and 2020, book value of the shares of the Company held by the subsidiaries amounted to both \$511,710.

Details are as follows:

	December 31, 2021		
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	\$ 14.92	\$ 31.65
An-Tai International Investment Co., Ltd.	2,826	10.37	31.65
Top-Tower Enterprises Co., Ltd.	77	9.37	31.65
Taiwan Pelican Express Co., Ltd.	<u>7,070</u>	26.89	31.65
	<u>29,513</u>		
	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>		

(17) Capital surplus

- A. Pursuant to the R.O.C Company Act, 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 Act 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.

(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:
- Payment of taxes and duties.
 - Covering prior years' accumulated deficit, if any.
 - After deducting items (a) and (b), set aside 10% of the remaining amount as legal reserve.
 - Set aside a certain amount as special reserve, if any.
 - 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, 2021, 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 \$2,459,616 (\$1.15 (in dollars) per share) and \$1,948,016 (\$0.99 (in dollars) per share) for the years ended December 31, 2021 and 2020, respectively. On March 16, 2022, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2021 was \$1.35 at \$2,887,375 (in dollars) per share.

(19) Other equity items

	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1, 2021	\$ 10,356,934	(\$ 3,017,676)	\$ 7,339,258
Unrealized gains and losses on financial assets:			
–Company	1,304,003	-	1,304,003
–Subsidiaries, associates and joint venture	20,722,816	-	20,722,816
Revaluation transferred to profit and loss	-	9,909	9,909
Revaluation transferred to retained earnings	(284,557)	-	(284,557)
Revaluation transferred to retained earnings-associates	14,515	-	14,515
Currency translation differences:			
–Company	-	(1,025,349)	(1,025,349)
At December 31, 2021	<u>\$ 32,113,711</u>	<u>(\$ 4,033,116)</u>	<u>\$ 28,080,595</u>
	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	<u>\$ 10,356,934</u>	<u>(\$ 3,017,676)</u>	<u>\$ 7,339,258</u>

(20) Operating revenue

	For the year ended December 31, 2021	For the year ended December 31, 2020
Revenue from customers	\$ 22,940,571	\$ 19,819,029

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, 2021	For the year ended December 31, 2020
Sales of green mechatronic solution business group products	\$ 11,743,816	\$ 10,277,529
Sales of air and intelligent life business group products	5,242,911	4,909,267
Others	107,551	429,780
Service revenue	290,463	330,719
Consruction contract	5,555,830	3,871,734
	<u>\$ 22,940,571</u>	<u>\$ 19,819,029</u>

B. Contract assets and liabilities

	For the year ended December 31, 2021	For the year ended December 31, 2020
Revenue recognized that was included in the contract liability balance at the beginning of the year		
Advance sales receipts	\$ 76,685	\$ 92,032

(21) Interest income

	For the year ended December 31, 2021	For the year ended December 31, 2020
Interest income from banck deposits	\$ 1,731	\$ 8,049
Other interest income	1,109	3,550
	<u>\$ 2,840</u>	<u>\$ 11,599</u>

(22) Other income

	For the year ended December 31, 2021	For the year ended December 31, 2020
Rental income	\$ 167,311	\$ 164,209
Dividend income	499,979	316,018
Other non-operating income	252,616	448,803
	<u>\$ 919,906</u>	<u>\$ 929,030</u>

(23) Other gains and losses

	For the year ended December 31, 2021	For the year ended December 31, 2020
Net (loss) gain on financial liabilities at fair value through profit or loss	(\$ 852)	\$ 907
Net gain on financial assets at fair value through profit or loss	340,478	409,084
Net currency exchange loss	(55,499)	(342)
Loss on disposal of property, plant and equipment	(3,759)	(22,663)
Gain on disposal of investments	(3,481)	-
Miscellaneous disbursements	(516,078)	(511,436)
	<u>(\$ 239,191)</u>	<u>(\$ 124,450)</u>

(24) Finance costs

	For the year ended December 31, 2021	For the year ended December 31, 2020
Interest expense:		
Bank borrowings	\$ 24,106	\$ 40,816
Corporate bonds	43,200	45,383
Others	785	4,911
	<u>68,091</u>	<u>91,110</u>
Finance expenses	<u>1,937</u>	<u>4,765</u>
	<u>\$ 70,028</u>	<u>\$ 95,875</u>

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

	For the year ended December 31, 2021	For the year ended December 31, 2020
Wages and salaries	\$ 1,670,995	\$ 1,637,361
Employees' compensation and directors' and supervisors' remuneration	388,633	411,053
Labor and health insurance fees	152,814	145,517
Pension costs	81,146	90,285
Other personnel expenses	89,840	89,897
Depreciation charges on property, plant and equipment and investment property	315,051	450,403
Depreciation charges on right-of-use assets and amortization charges on intangible assets	99,719	103,167

- 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, 2021 and 2020, employees' compensation was accrued at \$303,438 and \$284,575, respectively; while directors' and supervisors' remuneration was accrued at \$85,195 and \$126,478, respectively. The aforementioned amounts were recognized in salary expenses.
- D. For the year ended December 31, 2021, 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 \$303,727 and \$85,273, and the employees' compensation will be distributed in the form of cash.

The difference of \$16,539 between employees' compensation of \$284,575 and directors' remuneration of \$126,478 as resolved by the Board of Directors which is mainly arising from changes in estimate of directors' remuneration and the amount recognised in the 2020 financial statements had been adjusted in the profit or loss of 2021.

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, 2021	For the year ended December 31, 2020
Current tax:		
Current tax on profits for the year	\$ 249,675	\$ 124,787
Tax on undistributed surplus earnings	34,255	33,526
Prior year income tax overestimation	(67,816)	(109,405)
Total current tax	216,114	48,908
Deferred tax:		
Origination and reversal of temporary differences	127,446	97,929
Income tax expense	\$ 343,560	\$ 146,837

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

	For the year ended December 31, 2021	For the year ended December 31, 2020
Currency translation differences	(\$ 133,697)	(\$ 65,922)

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2021	For the year ended December 31, 2020
Tax calculated based on profit before tax and statutory tax rate	\$ 1,071,339	\$ 731,639
Effects from items disallowed by tax regulation	(702,210)	(528,000)
(Overestimation) underestimation of prior year's net deferred tax assets and liabilities	(50,834)	30,519
Effects by investment tax credits	(27,354)	(28,002)
Prior year income tax overestimation	(67,816)	109,405
Additional tax on undistributed earnings	34,255	33,526
Others	86,180	16,560
Income tax expense	<u>\$ 343,560</u>	<u>\$ 146,837</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:
For the year ended December 31, 2021

	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
— Deferred tax assets:				
Unrealized intercompany profit	\$ 111,732	(\$ 18,749)	\$ -	\$ 92,983
Impairment loss	96,779	-	-	96,779
Currency translation differences	358,340	-	133,697	492,037
Difference resulting from different useful lives of property, plant and equipment between financial and tax basis	29,778	(629)	-	29,149
Unrealized expenses	87,478	4,121	-	91,599
Permanent loss on investments	35,080	-	-	35,080
Loss on inventory	66,250	(45,192)	-	21,058
Over provision of allowance for doubtful accounts	11,439	(6,152)	-	5,287
Others	23,134	3,895	-	27,029
	<u>820,010</u>	<u>(62,706)</u>	<u>133,697</u>	<u>891,001</u>
— Deferred tax liabilities:				
Investment income from foreign investments	907,756	69,409	-	977,165
Land value incremental reserve	107,472	-	-	107,472
Others	6,840	(4,669)	-	2,171
	<u>1,022,068</u>	<u>64,740</u>	<u>-</u>	<u>1,086,808</u>
	<u>(\$ 202,058)</u>	<u>(\$ 127,446)</u>	<u>\$ 133,697</u>	<u>(\$ 195,807)</u>

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>

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

	December 31, 2021	December 31, 2020
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, 2021 and 2020, the amounts of temporary difference unrecognized as deferred tax liabilities were \$3,496,513 and \$3,768,639, 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, 2021		
	<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	\$ 5,013,134	2,105,523	\$ 2.38

Note: The earnings per share were \$2.35 (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, 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.

(28) Supplemental cash flow information

Investing activities with partial cash payments:

	<u>For the year ended December 31, 2021</u>	<u>For the year ended December 31, 2020</u>
Acquisition of property, plant and equipment	\$ 264,271	\$ 136,407
Add: Payables at beginning of the year	60,590	64,137
Less: Payables at end of the year	(87,844)	(60,590)
Cash paid	<u>\$ 237,017</u>	<u>\$ 139,954</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 International Investment Co., Ltd. (Teco International)	The subsidiary	A-Ok Technical Service Co., Ltd. (A-Ok Technical)	The subsidiary
Tong-An Assets Management & Development Co., Ltd. (Tong-An Assets)	"	Taian Technology Co., Ltd. (Taian-EcoBar)	"
Tong Dai Co., Ltd. (Tong Dai)	"	Taian Jaya Electric Sdn. Bhd. (Taian-Jaya)	"
Tesen Electric & Machinery Co., Ltd. (Tesen)	"	Taian (Subic) Electric Co., Inc. (Taian Subic)	"
Information Technology Total Services Co., Ltd. (ITTS)	"	Taian (Malaysia) Electric Sdn., Bhd. (Note 3)(Taian Malaysia)	"
Teco Electro Devices Co., Ltd. (Teco Electro)	"	E-Joy International Co., Ltd. (E-Joy International)	"
Teco Electric & Machinery (Pte) Ltd. (Teco Singapore)	"	An-Sheng Travel Co., Ltd. (An Sheng)	"
Teco Electric Europe Limited. (Note 3) (Teco Europe)	"	Teco Technology (Vietnam) Electric Co., Ltd. (Teco Technology Vietnam)	"
Teco Holding USA Inc. (Teco Holding)	"	Teco Appliance (H.K.) Co., Ltd. (Teco Appliance)	"
Teco Smart Technologies Co., Ltd. (Teco Smart)	"	Tecnos International Consultant Co., Ltd. (Tecnos)	"
Tecom Co., Ltd. (Tecom)	"	TECO (PHILIPPINES) 3C & APPLIANCES, INC. (TECO 3C)	"
Tong-An Investment Co., Ltd. (Tong-An)	"	Teco Electronic Devices Co., Ltd. (Teco Devices)	"
Teco Westinghouse Motor Industrial-Canada (Teco Westinghouse Canada)	"	Tasia (PTE) Ltd. (Tasia)	"
Teco Westinghouse Motor Company (Teco Westinghouse)	"	P.T Teco Multiguna Electro (Teco Multiguna)	"
Information Technology Total Service (Hang Zhu) Co., Ltd. (ITTS Hang Zhou)	"	Great Teco, S.L. (Note 1) (Great Teco, S.L.)	"
TEMICO INTERNATIONAL PTE. LTD. (TEMICO)	"	United View Global Investment Co., Ltd. (UVG)	"
Teco Industrial (Malaysia) Sdn. Bhd. (Teco Malaysia)	"	Asia Air Tech Industrial Co., Ltd. (AAT)	"
Wuxi Teco Electric & Machinery Co., Ltd. (Wuxi Teco)	"	Great Teco Motor (Pte) Ltd. (GTM)	"
Nan Chang Teco Electronic & Machinery Co., Ltd. (Nanchang Teco)	"	Teco Electronic & Machinery (THAI) Co., Ltd. (Teco THAI)	"
Wuxi Teco Precision Industry Co. Ltd (Wuxi Teco)	"	Qingdao Teco Precision Mechatronics Co., Ltd. (Qingdao Teco)	"
Jiangxi Teco Electric and Machinery Co., Ltd. (Jiangxi Teco)	"	An-Tai Innovation Technology (Xiamen) Ltd. (An-Tai Xiamen)	"
Yatec Engineering Corporation (Yatec)	"	An-Tai International (Singapore) Investment (Pte) Ltd. (An-Tai Singapore)	"
An-Tai International Investment Co., Ltd. (An-Tai)	"	An-Hubbell-Taian Co., Ltd. (An-Hubbell)	"
Micropac Worldwide Investment (BVI) (Micropac)	"	Universal Mailing Service Co., Ltd. (Universal)	"

Names of related parties	Relationship with the Company	Names of related parties	Relationship with the Company
Teco Australia Pty. Ltd. (Teco Australia)	The subsidiary	Baycom Opto-Electronics Technology Co., Ltd. (Baycom)	The subsidiary
Jie-Zheng Property Service & Management Company (Jie-Zheng)	"	Tecom International Investment Co., Ltd. (Note 2)(Tecom International)	"
Tai-An Technology (Wuxi) Co., Ltd. (Tai-An Wuxi)	"	Qingdao Teco Innovation Co., Ltd. (QingDao Teco Innovation)	"
P.T Teco Elektro Indonesia (P.T Teco)	"	Shanghai Teco Electric & Machinery Co., Ltd. (Shanghai Teco)	"
Teco Group Science-Technology (Hang Zhou) Co., Ltd. (Teco Hang Zhou)	"	TECO Elektrik Turkey A.S. (Turkey Teco)	"
Information Technology Total Services (Xiamen) Ltd. (ITTS Xiamen)	"	Hunan TECO Wind Energy Limited (Note 1) (Hunan Teco)	"
Fujian Teco Precision Co., Ltd. (Fujian Teco)	"	Taian Electric Co., Ltd. (Taian)	"
Taiwan Pelican Express Co., Ltd. (Pelican)	"	Information Technology Total Services (Wuxi) Co., Ltd. (ITTS Wuxi)	"
Top-Tower Enterprises Co., Ltd. (Top-Tower)	"	Jiangxi TECO Air Conditioning Equipment Co., Ltd. (Jiangxi Teco Air)	"
Ching Chi International Limited (Ching Chi)	"	Century Tech. C&M Corp.	"
Motovario S.p.A. (Motovario)	"	Taisan Electric CO., LTD. (Taisan)	Associate
United Development Corporation Ltd (United Development)	"	Qingdao TECO Century Advance High-tech Mechtronics Co., Ltd. (TECO Century)	"
Century Development Corporation Ltd. (Century Development)	"	Teco Middle East Electrical & Machinery Co., Ltd. (TME)	"
TECO Westinghouse Motor Company S.A. de C.V. (TWMM)	"	TG Teco Vacuum Insulated Glass Corp. (TG Teco)	"
AM SMART Technology CO., LTD (AM SMART)	"	Lien Chang Electronic Enterprise Co., Ltd. (Lien Chang)	"
Teco Sun Energy Co., Ltd. (Teco Sun)	"	Royal Host Taiwan Co., Ltd. (Royal)	"
Teco EV Philippines Corporation (TECO EV)	"	Tung Pei Industrial Co., Ltd. (Tung Pei)	"
Information Technology Total Services (BVI) (ITTS BVI)	"	Zero Emission PowerTrain Co., Ltd. (ZEPT)	"
Asia Electric & Machinery (PTE) LTD. (AEM)	"	Tension Envelope Taiwan Co., Ltd. (Tension)	"
Teco Electric & Machinery Sdn. Bhd. (STE Marketing SDN. BHD.)	"	Gen Mao International Corp. (Gen Mao)	"
Sankyo Co., Ltd. (Sankyo)	"	Electrical Trading Co., Ltd. (Shanghai Xiangseng)	"
Teco Electric & Machinery B.V. (Teco Netherlands)	"	Genmao Electronics (Suzhou) Co., Ltd. (Genmao Suzhou)	"
TYM Electric & Machinery Sdn. Bhd. (TYM)	"	Teco-Motech Co., Ltd. (Teco-Motech)	"
Teco (Dong Guang) Air Conditioning Equipment Co., Ltd. (Teco Dong Guang)	"	Fujio Food System Taiwan Co., Ltd (Fujio Food)	"
Unison Service Corporation (Unison)	"	Le-Li Co., Ltd. (Le-Li)	"

Names of related parties	Relationship with the Company	Names of related parties	Relationship with the Company
Teco Image System Co., Ltd. (Teco Image)	Other related party	Teco Technology Foundation (Teco Foundation)	Other related party
An-Shin Food Service Co., Ltd. (An-Shin)	"	Kuenling Machinery Refrigerating Co., Ltd. (Kuenling Refrigerating)	Note 4
YUBAN & COMPANY (Yuban)	"		

Note 1: This company was liquidated in 2020.

Note 2: Tecom Co., Ltd. took short-form merger with Tecom International Investment Co., Ltd. in 2020, and Tecom International Investment Co., Ltd. is the dissolving company.

Note 3: This company was liquidated in 2021.

Note 4: The Company held a shareholder meeting where it elected new board members in 2021. Therefore, the company is no longer a related party of the Company.

(2) Significant related party transactions

A. Sales

	Year ended December 31, 2021	Year ended December 31, 2020
Sales of goods and services:		
—Subsidiaries		
Teco Westinghouse	\$ 2,756,193	\$ 2,665,311
Others	6,221,327	5,375,129
—Associates	410,496	292,056
—Other related parties	455	5,042
	<u>\$ 9,388,471</u>	<u>\$ 8,337,538</u>
	Year ended December 31, 2021	Year ended December 31, 2020
Royalty income (shown as '7010 other income'):		
—Subsidiaries		
Wuxi Teco	\$ 86,574	\$ 233,452
Teco Westinghouse	30,753	62,507
Jiangxi Teco	14,577	13,285
Motovario	13,901	14,832
Tai-An Wuxi	12,139	69,419
QingDao Teco	5,756	4,075
Others	1,960	180
	<u>\$ 165,660</u>	<u>\$ 397,750</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 \$375,720 and \$450,133 (shown as '1550 investments accounted for under equity method') for the years ended December 31, 2021 and 2020, 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, 2021	Year ended December 31, 2020
Purchases of goods:		
—Subsidiaries		
Tesen	\$ 3,075,655	\$ 2,282,578
Others	3,611,243	2,932,766
—Associates	293,017	236,854
—Other related parties	1,680	1,132
	<u>\$ 6,981,595</u>	<u>\$ 5,453,330</u>
	Year ended December 31, 2021	Year ended December 31, 2020
Shipping expense:		
—Subsidiaries	<u>\$ 154,889</u>	<u>\$ 124,246</u>
	Year ended December 31, 2021	Year ended December 31, 2020
Service expense:		
—Subsidiaries	<u>\$ 119,771</u>	<u>\$ 103,575</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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts and notes receivable		
—Subsidiaries		
Tong Dai	\$ 512,486	\$ 361,596
Teco Australia	198,441	291,587
Teco Westinghouse	242,643	221,814
Others	827,921	680,798
—Associates	173,185	68,662
—Other related parties	86	1,800
	<u>1,954,762</u>	<u>1,626,257</u>
Add: exchange loss	(5,538)	(517)
	1,949,224	1,625,740
Less: allowance for loss	(8,918)	(17,995)
	<u>\$ 1,940,306</u>	<u>\$ 1,607,745</u>

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.

D. Payables to related parties:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts and notes payable		
—Subsidiaries		
Wuxi Teco	\$ 665,284	\$ 382,390
Tai-An Wuxi	231,423	107,461
Others	567,616	450,336
—Associates	65,851	116,604
—Other related parties	-	17
	<u>1,530,174</u>	<u>1,056,808</u>
Add: exchange loss	(7,911)	(12,513)
	<u>\$ 1,522,263</u>	<u>\$ 1,044,295</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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	<u>\$ 105,872</u>	<u>\$ 187,701</u>

(b) Interest income

	For the year ended December 31, 2021	For the year ended December 31, 2020
Subsidiaries	\$ 1,101	\$ 3,533

As of December 31, 2021 and 2020, the Company had loans to subsidiaries amounting to \$0 and \$98,722, respectively. The loans to subsidiaries are repayable monthly over 2 years and carry interest at 1.48%~3.5% and 2.76%~3.5% per annum for the years ended December 31, 2021 and 2020, respectively.

F. Other receivables

	December 31, 2021	December 31, 2020
—Subsidiaries		
Wuxi Teco	\$ 81,089	\$ 118,495
QinDao Teco	79,140	199,636
Others	440,664	389,139
—Associates	33,382	33,565
—Other related parties	3,944	2,216
	638,219	743,051
Add: exchange loss	(24,304)	(19,156)
	613,915	723,895
Less: Allowance for doubtful accounts and credit balance of long-term investment	(2,990)	(17,055)
	\$ 610,925	\$ 706,840

The above represents other receivables for rental.

G. Other payables

	December 31, 2021	December 31, 2020
—Subsidiaries	\$ 168,120	\$ 156,775
—Associates	3,694	2,792
—Other related parties	252	1,706
	172,066	161,273
Add: exchange loss	(762)	(674)
	\$ 171,304	\$ 160,599

Other payables mainly consist of rent payable, etc.

H. Financing with related parties

(a) Payables to related parties - credit line

	December 31, 2021	December 31, 2020
Subsidiaries	\$ -	\$ -

(b) Interest expense

	For the year ended December 31, 2021	For the year ended December 31, 2020
Subsidiaries	\$ -	\$ 2,948

As of December 31, 2021 and 2020, the actual amount of loan that the Company has drawn from subsidiaries amounted to both at \$0, 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,

2021 and 2020, respectively.

I. Endorsements and guarantees provided to related parties

	December 31, 2021	December 31, 2020
—Subsidiaries	\$ 1,700,473	\$ 2,082,958

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, 2021	For the year ended December 31, 2020
Associates	\$ -	\$ 155,497

(c) Lease liabilities

(i) Outstanding balance:

	December 31, 2021	December 31, 2020
Associates	\$ 9,529	\$ 88,799

(ii) Interest expense

	For the year ended December 31, 2021	For the year ended December 31, 2020
Associates	\$ 643	\$ 1,695

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, 2021, remaining receivable amounted to \$29,710 (shown as 1210 ‘Other receivables – related party’).

(3) Key management compensation

	For the year ended December 31, 2021	For the year ended December 31, 2020
Salaries and other short-term employee benefits	\$ 177,488	\$ 232,761
Post-employment benefits	990	1,512
	\$ 178,478	\$ 234,273

8. Pledged Assets

Pledged asset	Book value		Purpose
	December 31, 2021	December 31, 2020	
Other non-current assets - bank deposits	\$ 361,224	\$ 169,411	Restricted by the regulations of the management, utilization, and taxation of repatriated offshore funds
Other current assets - bank deposits	807,325	910,890	Special bank account for government grant
	<u>\$ 1,168,549</u>	<u>\$ 1,080,301</u>	

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

On April 21, 2021, the Company received a civil judgment from the Taiwan Taipei District Court concerning a claim filed by Fu Chang Engineering Co., Ltd. (Fu Chang), which is a subcontractor that undertook the electrical system and air-conditioning electric system for the Company's project 'Mechanical and Electrical Engineering of Songshan Cultural and Creative Park BOT Project' for a total of \$63,525, to request the Company to pay an additional payment amounting to \$68,495 for additional construction works. The Court entered a judgment that the Company shall make a payment in the amount of \$56,846 to Fu Chang. The Company has accrued and recognised an amount for potential payments and filed an appeal with the second instance court.

(2) Commitments

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

	December 31, 2021	December 31, 2020
Property, plant and equipment	\$ 113,492	\$ 13,173

B. As of December 31, 2021, the outstanding usance L/C used for acquiring raw materials and equipment was \$65,283.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	December 31, 2021	December 31, 2020
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 2,322,450	\$ 2,167,106
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 11,759,402	\$ 6,258,752
Financial assets at amortised cost /Loans and receivables		
Cash and cash equivalents	\$ 211,793	\$ 716,313
Notes receivable	614,922	391,524
Accounts receivable	4,024,693	3,433,041
Other receivables	714,752	797,220
Guarantee deposits paid	12,647	21,157
	<u>\$ 5,578,807</u>	<u>\$ 5,359,255</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 445,807	\$ 1,207,660
Notes payable	132,479	120,430
Accounts payable	5,331,838	4,447,197
Other payables	3,039,819	2,762,464
Bonds payable (including current portion)	6,000,000	6,000,000
Long-term borrowings	2,000,000	1,180,000
Guarantee deposits received	22,636	20,411
Lease liabilities	12,770	92,695
	<u>\$ 16,985,349</u>	<u>\$ 15,830,857</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, 2021

Sensitivity Analysis						
Foreign currency amount			Degree of	Effect on profit	Effect on other	
(In thousands)			variation	or loss	comprehensive income	
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	USD	\$ 58,467	27.6800	\$ 1,618,367	1%	\$ 16,184
EUR:NTD	EUR	4,146	31.3200	129,853	1%	1,299
JPY:NTD	JPY	240,329	0.2405	57,799	1%	578
RMB:NTD	RMB	42,187	4.3440	183,260	1%	1,833
AUD:NTD	AUD	6,122	20.0800	122,930	1%	1,229
GBP:NTD	GBP	286	37.3000	10,668	1%	107
Non-monetary items						
USD:NTD	USD	716,239	27.6800	19,825,490		
EUR:NTD	EUR	136,688	31.3200	4,281,054		
SGD:NTD	SGD	161,517	20.4600	3,304,645		
VND:NTD	VND	268,912,500	0.0012	322,695		
MYR:NTD	MYR	7,551	6.6265	50,035		
Financial liabilities						
Monetary items						
USD:NTD	USD	64,462	27.6800	1,784,308	1%	17,843
EUR:NTD	EUR	1,574	31.3200	49,298	1%	493
JPY:NTD	JPY	139,929	0.2405	33,653	1%	337
AUD:NTD	AUD	1,051	20.0800	21,104	1%	211

December 31, 2020

Sensitivity Analysis						
Foreign currency amount				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(In thousands)						
		Exchange rate	Book value (NTD)			
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
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 -
Non-monetary items						
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	
Financial liabilities						
Monetary items						
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 -

- 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, 2021 and 2020 amounted to (\$55,499) and (\$342), 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, 2021 and 2020 would have increased/decreased by \$60,059 and \$55,013, 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 \$587,759 and \$312,520, 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, 2021 and 2020, the Company's borrowings at variable rate were mainly denominated in NTD, USD, AUD 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, 2021 and 2020, 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, 2021 and 2020 would have been \$4,892 and \$4,775 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, 2021 and 2020, 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 \$614,922 and \$391,524; \$4,024,693 and \$3,433,041, 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, 2021 and 2020, the loss rate methodology is as follows:

December 31, 2021			
	Expected credit loss rate	Total book value	Loss allowance
Not past due	0%~1%	\$ 2,190,738	\$ -
Up to 30 days	0%~2%	181,861 (	416)
31 to 90 days	1%~20%	27,742 (	502)
91 to 180 days	1%~100%	60,745 (	856)
Over 180 days	1%~100%	265,943 (	25,946)
		<u>\$ 2,727,029</u>	<u>(\$ 27,720)</u>
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, 2021			
	Expected credit loss rate	Total book value	Loss allowance
Individual	100%	\$ 25,250	(\$ 25,250)
Group A	0%~5%	2,150,944	(134)
Group B	1%~10%	283,578	(262)
Group C	1%~20%	67,100	(177)
Group D	1%~40%	8,312	(37)
Group E	1%~100%	191,845	(1,860)
		<u>\$ 2,727,029</u>	<u>(\$ 27,720)</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>

- 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, 2021	For the year ended December 31, 2020
	Notes receivable and accounts receivable	Notes receivable and accounts receivable
At January 1	\$ 27,687	\$ 26,676
Provision for impairment loss	33	1,042
Write-offs during the period	-	(31)
At December 31	<u>\$ 27,720</u>	<u>\$ 27,687</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, 2021 and 2020, the undrawn credit amounts are \$14,784,485 and \$16,061,102, 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, 2021	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	\$ 445,807	\$ -	\$ -	\$ -	\$ -
Notes payable	132,479	-	-	-	-
Accounts payable	5,331,838	-	-	-	-
Other payables	3,039,819	-	-	-	-
Lease liabilities	11,562	1,082	163	-	-
Bonds payable (including current portion)	1,000,000	-	-	5,000,000	-
Long-term borrowings (including current portion)	2,000,283	-	-	-	-

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	-	-	-	-

iv. As of December 31, 2021 and 2020, 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, 2021</u>	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 1,201,181	\$ -	\$ 1,121,269	\$ 2,322,450
Financial assets at fair value through other comprehensive income				
Equity securities	11,755,186	-	4,216	11,759,402
	\$ 12,956,367	\$ -	\$ 1,125,485	\$ 14,081,852
<u>December 31, 2020</u>	Level 1	Level 2	Level 3	Total
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	6,250,406	-	8,346	6,258,752
	\$ 7,350,658	\$ -	\$ 1,075,200	\$ 8,425,858

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, 2021 and 2020, 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, 2021	For the year ended December 31, 2020
Beginning balance	\$ 1,075,200	\$ 966,093
Gains and losses recognized in profit or loss	61,138	126,655
Gain and loss recognized in other comprehensive income	(4,130)	553
Acquired during the year	25,441	-
Sold during the year	(32,164)	(18,101)
Ending balance	\$ 1,125,485	\$ 1,075,200

- 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, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	\$ 1,125,485	Market comparable companies	Price to earnings ratio multiple	1.98~2.47	The higher the multiple and control premium, the higher the fair value
Private equity fund			Discount for lack of marketability	15%	The higher the discount for lack of marketability, the lower the fair value
	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

- 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, 2021				
			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%	\$ 56,063	(\$ 56,063)	\$ 211	(\$ 211)
			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%	\$ 53,343	(\$ 53,343)	\$ 417	(\$ 417)

(4) Other matter

Since the first quarter of 2020, Covid-19 has spread all over the world. The Company was a multinational corporation, certain investees stopped operation or reduced working days due to cooperating with local governments' preventions, and investees have resumed work gradually since the second quarter of 2020. For the year ended December 31, 2021, impact from epidemic to each country was different, thus, operation of each service point affected by the epidemic was different. The Company and investees which located in certain countries, such as Taiwan, Vietnam and India, still suffered the second-time or third-time epidemic outbreak. To cooperate with local government's preventions, the Company and investees started some preventions, such as checking temperature every day, wearing masks, vaccination for employees, also, the office and work area have been segregated with transparent film curtains, employees are prohibited from moving across districts if they are not necessary and business travel and meeting with visitors were suspended in order to maintain the order receiving, production and delivery of each service point normal. The Company takes into consideration impact from the epidemic when assessing impairment. For the year ended December 31, 2020, certain subsidiaries accounted for using equity method whose orders decreased or deliveries suspended resulting in a situation that profit was lower than their forecast had an impairment indication under the Company's assetssment and recognised impairment loss amounting to \$77,950. For year ended December 31, 2021, operating revenue of the Company and subsidiaries increased by 15.75% compared to the corresponding period of last year because the Company and subsidiaries applied several preventions in each service point to maintain a normal operation. In addition, profit, net of tax increased by 42.76% compared to the corresponding period of last year because the Company and subsidiaries reinvested in the domestic securities market which steadily rise and dividends received from the investment increased significantly. The Company's operation has not declined due to the re-emergence of the epidemic. The Company adjusted discount rate when assessing impairment of reinvestments accounted for using equity method taking into consideration recent overall economic changes and effect of rate rise and recognised impairment loss amounting to \$367,190 (shown as share of profit or loss of

subsidiaries, associates and joint ventures accounted for using equity method). Additionally, the Company's working capital is sufficient. As of December 31, 2021, operating activities generated net cash inflow, and current ratio reached to 107.23%. The Company's borrowing which had been entered into but not yet been used amounted to \$14,784,485, which is sufficient to meet the capital requirement for repayment of liabilities at maturity. Consequently, the epidemic has no material impact on the going concern and financing risk of the Company.

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, 2021

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 1

Number (Note 1)	Creditor	Borrower	General ledger account	Maximum outstanding balance during the year ended			Balance at December 31, 2021 (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	
				Related party	December 31, 2021	December 31, 2021								Item	Value	Limit on loans granted to a single party		Ceiling on total loans granted
0	TECO ELECTRIC & MACHINERY CO., LTD.	Xiamen An-Tai	Other receivables	Yes	\$ 57,070	\$ 27,680	\$ -	-	1.48%	Short-term financing	-	For operating capital	\$ -	-	\$ -	2,676,413	\$ 8,921,377	Note 2
0	TECO ELECTRIC & MACHINERY CO., LTD.	QingDao Teco	"	"	130,950	78,192	-	-	3.30%	Short-term financing	-	For operating capital	-	-	-	2,676,413	8,921,377	Note 2
1	U.V.G.	Teco Netherlands	"	"	245,140	219,240	219,240	-	-	Short-term financing	-	For operating capital	-	-	-	476,139	793,564	Note 3
2	Teco Westinghouse	TWMM	"	"	62,777	60,896	-	-	1.55%	Short-term financing	-	For operating capital	-	-	-	610,534	1,221,067	Note 4
3	Great Teco Motor (PTE) Ltd.	Teco Netherlands	"	"	241,638	187,920	187,920	1.00%	-	Short-term financing	-	For operating capital	-	-	-	269,700	449,500	Note 5
4	Wuxi TECO Precision Industry Co. Ltd.	QingDao Teco	"	"	78,210	78,192	-	-	3.85%	Short-term financing	-	For operating capital	-	-	-	81,821	81,821	Note 6
5	Motovario Corp.	Motovario S.P.A.	"	"	111,840	110,720	110,720	1.00%	-	Short-term financing	-	For operating capital	-	-	-	147,729	196,972	Note 7

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

(1)The Company is '0'.

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

Note 2: In accordance with the company's policy, limit on total loans shall not exceed 10% of the Company's net assets based on the latest financial statements (December 31, 2021), 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, 2021).

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, 2021), 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, 2021).

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, 2021), 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, 2021).



- Note 5: 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, 2021), 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, 2021).
- Note 6: In accordance with Wuxi TECO Precision Industry Co. Ltd.'s policy, limit on total loans shall not exceed 20% of Wuxi TECO Precision Industry Co. Ltd.'s net assets based on the latest financial statements (December 31, 2021), and limit on loans to a single party shall not exceed 10% of Wuxi TECO Precision Industry Co. Ltd.'s net assets based on the latest financial statements (December 31, 2021).
- Note 7: In accordance with Motovario Corp.'s policy, limit on total loans shall not exceed 40% of Motovario Corp.'s net assets based on the latest audited financial statement (December 31, 2021), and limit on loans to a single party shall not exceed 30% of Motovario Corp.'s net assets based on the latest audited financial statement (December 31, 2021).
- Note 8: The credit line approved by the Board of Directors.

Table 2

TECO ELECTRIC & MACHINERY CO., LTD.
Provision of endorsements and guarantees to others
For the year ended December 31, 2021

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2021	Outstanding endorsement/ guarantee amount at December 31, 2021	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
			Relationship with the endorser/ guarantor (Note 2)	Company name											
0	TECO ELECTRIC & MACHINERY CO., LTD.	Sunhyo Co., Ltd	(4)		\$ 17,842,753	\$ 145,601	\$ 135,883	\$ 105,820	\$ -	0.15	\$ 53,528,259	Y	N	N	Note 3
0	"	Teco International	(4)		17,842,753	100,000	100,000	-	-	0.11	53,528,259	Y	N	N	"
0	"	An-Tai International	(4)		17,842,753	110,000	110,000	-	-	0.12	53,528,259	Y	N	N	"
0	"	Motovario	(4)		17,842,753	1,610,920	1,354,590	1,268,460	-	1.52	53,528,259	Y	N	N	"
0	"	QingDao Teco	(2)		17,842,753	216,448	-	-	-	-	53,528,259	Y	N	Y	"
1	Teco Westinghouse	TWMM	(4)		610,534	57,070	55,360	37,908	-	0.91	1,221,067	Y	N	N	Note 4
2	Motovario S.P.A.	TECNOFIB SRL	(1)		846,586	175	-	-	-	-	2,539,758	N	N	N	Note 5
3	Teco Australia Pty. Ltd.	Teco New Zealand Pty Ltd.	(4)		168,327	14,212	14,212	14,212	-	0.84	336,654	Y	N	N	Note 6
4	Century Development	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)		439,473	211,291	178,675	59,558	-	4.07	878,946	Y	N	N	Note 7
5	Tong-An Assets	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)		\$ 529,199	\$ 140,105	\$ 134,006	\$ 44,669	-	2.53	\$ 1,058,399	N	N	N	Note 8
6	Tong-An Investment Co., Ltd.	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)		150,934	140,105	134,006	44,669	-	0.37	200,000	N	N	N	Note 9

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

(1) The Company is '0'.

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

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

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent 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 endorser's/guarantee 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, 2021), 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 Teo Westinghouse's policy, the total guarantee amount shall not exceed 20% of Teo Westinghouse's net assets based on the latest financial statements (December 31, 2021), and the guarantee to a single party shall not exceed 10% of Teo Westinghouse's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 5: In accordance with Motovario S.p.A.'s policy, the total guarantee amount shall not exceed 60% of Motovario S.p.A.'s net assets based on the latest financial statements (December 31, 2021), and the guarantee to a single party shall not exceed 20% of Motovario S.p.A.'s net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 6: In accordance with the TECO AUSTRALIA Pty Ltd.'s policy, the total guarantee amount shall not exceed 20% of TECO AUSTRALIA Pty Ltd.'s net assets based on the latest financial statements (December 31, 2021), and the guarantee to a single party shall not exceed 10% of TECO AUSTRALIA Pty Ltd.'s net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 7: In accordance with Century Development's policy, the total guarantee amount shall not exceed 20% of Century Development's net assets based on the latest financial statements (December 31, 2021), and the guarantee to a single party shall not exceed 10% of Century Development's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 8: In accordance with Tong-An Asset's policy, the total guarantee amount shall not exceed 20% of Tong-An Asset's net assets based on the latest financial statements (December 31, 2021), and the guarantee to a single party shall not exceed 10% of Tong-An Asset's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

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

TECO ELECTRIC & MACHINERY CO., LTD.

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

December 31, 2021

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, 2021				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Teco International	Stock 1	The Company is a director of the investee	Note 1	11,132	\$ 305,007	14.62	\$ 305,007	
	Stock 2	"	"	2,137	53,747	1.43	53,747	
	Stock 3	None	"	205,333	5,441,316	5.98	5,441,316	
	Stock 4	The Company is a director of the investee	"	190,061	5,625,793	3.38	5,625,793	
	Stock 5	None	"	9,610	188,359	0.09	188,359	
	Stock 6	The Company is a director of the investee	"	5,098	140,964	13.42	140,964	
	Stock 7, etc.	None	"	17,205	4,216	-	4,216	
	Stock 8	"	Note 4	3,200	208,021	0.03	208,021	
	Stock 9	The Company is a director of the investee	"	11,527	436,890	1.96	436,890	
	Stock 10	None	"	47,839	382,711	1.58	382,711	
	Stock 11	"	"	201	1,654	-	1,654	
	Stock 12	The Company is a director of the investee	"	32,980	332,740	10.99	332,740	
	Stock 13	None	"	7,500	462,674	5.00	462,674	
	Stock 14, etc.	"	"	22,578	306,265	-	306,265	
	Fund 1	"	"	-	81,339	-	81,339	
	Fund 2	"	"	-	110,156	-	110,156	
	Stock 2	The Company is a director of the investee	Note 1	5,309	133,533	3.56	133,533	
	Stock 15	None	"	720	98,345	0.50	98,345	
	Stock 16	The Company is a director of the investee	"	220	357,013	0.12	357,013	
	Stock 17	None	"	3,177	143,776	0.67	143,776	
	Stock 18, etc.	The Company is a director of the investee	"	9,398	219,147	-	219,147	
Tong-An Investment	Stock 19, etc.	None	Note 3	2,588	204,275	-	204,275	
	Stock 2	The Company is a director of the investee	Note 1	7,913	199,020	5.31	199,020	
	Stock 15	None	"	1,225	167,189	0.85	167,189	
	Stock 20	An investee company accounted for under the equity method by the Company	"	19,540	618,443	0.91	618,443	
	Stock 18	Related party in substance	"	8,197	139,341	7.28	139,341	
	Stock 21	None	"	8,692	561,500	0.27	561,500	
	Stock 22	"	"	1,285	128,500	0.04	128,500	
	Stock 16	The Company is a director of the investee	"	18,265	29,680,625	10.03	29,680,625	
	Stock 23	None	"	800	239,200	0.38	239,200	
	Stock 24, etc.	"	"	27,856	499,611	-	499,611	
	Stock 19	"	Note 3	1,076	116,746	0.67	116,746	
	Stock 25, etc.	"	"	7,831	564,035	-	564,035	
	Stock 16	The Company is a director of the investee	Note 4	909	1,477,125	-	1,477,125	
	Fund 3	None	"	50,000	714,000	-	714,000	
	Fund 4	"	"	715	24,800	-	24,800	

As of December 31, 2021

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
U.V.G.	Stock 26	None	Note 1	118	\$ 7,181	-	\$ 7,181	
An-Tai International	Stock 2	The Company is a director of the investee	"	653	16,423	0.44	16,423	
	Stock 20	An investee company accounted for under the equity method by the Company	"	2,826	89,435	0.13	89,435	
	Stock 18	Related party in substance	"	1,270	21,592	1.13	21,592	
	Stock 27	"	"	2,756	188,764	8.51	188,764	
	Stock 28	None	"	195	11,252	0.14	11,252	
	Stock 19, etc.	"	Note 3	1,348	131,521	-	131,521	
Jie-Zheng Property	Fund 5	"	Note 2	-	17,967	-	17,967	
Information Technology Total	Stock 29, etc.	"	Note 1	3,269	29,324	-	29,324	
Service	Stock 16, etc.	Related party in substance	"	304	493,608	-	493,608	
Teco Singapore	Stock 20	An investee company accounted for under the equity method by the Company	"	7,070	223,765	0.33	223,765	
Taiwan Pelican Express	Stock 16	None	"	597	969,638	0.32	969,638	
Teco Australia	Stock 16	"	"	300	486,720	0.16	486,720	
Sankyo	Stock 30	"	"	68	7,016	-	7,016	
Tecom and its subsidiaries	Stock 5	"	"	2,175	42,635	0.02	42,635	
	Stock 4	The Company is a corporate director of the investee	"	16,222	480,174	0.29	480,174	
	Stock 7, etc.	None	"	1,202	767	-	767	
	Stock 31	"	Note 3	3,354	47,792	1.77	47,792	
	Fund 6, etc.	"	Note 2	6,784	73,635	-	73,635	
Tong Dai	Stock 20	An investee company accounted for under the equity method by the Company	Note 3	77	2,444	-	2,444	
	Stock 32, etc.	None	"	3	86	-	86	
Teco Holdings	Fund 7	"	Note 2	-	2,216,584	-	2,216,584	

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.

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, 2021

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty (Note 4)	Relationship with the investor (Note 4)	Balance as at January 1, 2021			Addition			Disposal			Balance as at December 31, 2021		
					Number of shares / units	Amount		Number of shares / units	Amount (Note 2)		Selling price	Book value	Gain (loss) on disposal	Number of shares / units	Amount (Note 5)	
TECO ELECTRIC & MACHINERY CO., LTD.	Kuen Ling Machinery Refrigerating Co., Ltd.	Note 1	Not applicable	Not applicable	-	\$ -	-	11,132	\$ 326,714	-	\$ -	\$ -	-	11,132	\$ -	305,007
	Walsin Lihwa Corporation	"	"	"	-	-	-	205,333	3,808,921	-	-	-	-	205,333	5,441,316	
Teco Australia Pty. Ltd.	MOMO.COM INC	"	"	"	460	298,075	-	70	-	-	306,300	33,878	272,422	230	486,720	
Tong-An Investment Co., Ltd.	MOMO.COM INC.	Note 2	"	"	1,000	637,000	-	210	-	-	332,122	6,458	325,664	909	1,477,125	
Teco Holding	OASIS USD Term Liquidity Fund	Note 3	"	"	-	-	-	-	2,228,000	-	-	-	-	-	2,216,584	

Note 1: The general ledger account is 'Non-current financial assets at fair value through other comprehensive income'.

Note 2: The general ledger account is 'Non-current financial assets at fair value through profit or loss'.

Note 3: The general ledger account is 'Current financial assets at fair value through profit or loss'.

Note 4: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 5: The balance amount as at December 31, 2021 included unrealised gains or losses from financial assets.

Note 6: It was the stock dividends distributed by MOMO.COM INC. on July 5, 2021.

Expressed in thousands of NTD
(Except as otherwise indicated)

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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, 2021

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	\$	16%	30 days	Note	Note	(\$	28)	
TECO ELECTRIC & MACHINERY CO., LTD.	Tesen	An investee accounted for under the equity method	Purchases	3,075,655							-
	Taian (Subic) Wuxi Teco	An indirect investee accounted for under the equity method	"	212,694	1%	"	"	"	(133,229)	(2%)	
			"	1,079,179	6%	"	"	"	(665,284)	(12%)	
	TECO (VIETNAM) ELECTRIC & MACHINERY	"	"	786,899	4%	"	"	"	(192,576)	(4%)	
	Tai-An Wuxi QingDao Teco	"	"	776,301	4%	"	"	"	(231,423)	(4%)	
	Genmao(Suzhou)	"	"	412,507	2%	"	"	"	(37,362)	(1%)	
		"	"	231,410	1%	"	"	"	(32,037)	(1%)	
	Tong Dai	An investee accounted for under the equity method	Sales	(1,751,274)	(8%)	90 days	"	"	512,486	11%	
	Teco Singapore	"	"	(643,505)	(3%)	"	"	"	56,738	1%	
	E-Joy International Co., Ltd.	"	"	(386,021)	(2%)	"	"	"	131,383	3%	
TECO WESTINGHOUSE	Taisan	"	"	(208,126)	(1%)	"	"	"	17,520	-	
	Teco Westinghouse	An indirect investee accounted for under the equity method	"	(2,756,193)	(12%)	"	"	"	242,643	5%	
	Teco Australia	"	"	(1,323,072)	(6%)	"	"	"	198,441	4%	
	Teco Westinghouse Canada	"	"	(665,617)	(3%)	"	"	"	71,766	2%	
	Sankyo	"	"	(300,384)	(1%)	"	"	"	91,913	2%	
	Top-Tower	"	"	(246,873)	(1%)	"	"	"	77,503	2%	
	Motovario	"	"	(204,609)	(1%)	"	"	"	57,934	1%	
	TECO MIDDLE EAST	"	"	(175,103)	(1%)	"	"	"	120,526	3%	
	Teco Netherlands	"	"	(141,461)	(1%)	"	"	"	34,968	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, 2021

Table 7

Expressed in thousands of NTD (Except as otherwise indicated)								
Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	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	\$ 513,285	4.00	-	-	\$ 473,202	
"	Tesen	"	144,731	0.04	-	-	144,731	
"	E-Joy International	"	132,155	4.38	-	-	79,368	
"	Teco Westinghouse	An indirect investee accounted for under the equity method	274,425	11.83	1,536	In the process of collection	29,135	
"	Teco Australia	"	200,020	5.38	-	-	93,343	
"	THE MIDDLE EAST	"	120,526	2.14	-	-	30,524	
"	Century Biotech Development Corp.	"	115,807	-	-	-	115,807	
"	Motovario	"	110,187	1.83	-	-	26,566	
Wuxi Teco	TECO ELECTRIC & MACHINERY CO., LTD.	An investee accounted for under the equity method	665,284	2.06	-	-	207,982	
Tai-An Wuxi	"	"	231,423	4.58	-	-	204,693	
TECO (VIETNAM) ELECTRIC & MACHINERY	"	"	192,576	5.43	-	-	187,129	
Taian (Subie)	"	"	133,229	2.12	-	-	92,996	
U.V.G.	Teco Netherlands	"	219,240	-	-	-	-	
Great Teco Motor (PTE) Ltd.	"	Fellow subsidiary	187,920	-	-	-	-	
Motovario Corp.	Motovario	An investee accounted for under the equity method	110,720	-	-	-	-	Total amount was \$8,918

TECO ELECTRIC & MACHINERY CO., LTD.
Significant inter-company transactions during the reporting period
For the year ended December 31, 2021

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	\$ 513,285	Because there is no transaction in same type which can be compared with, it is based on the condition and the period specified in the agreement.	-
0	"	Teco Westinghouse	"	Accounts receivable and other receivables	274,425	"	-
0	"	Teco Australia	"	"	200,020	"	-
0	"	E-Joy International	"	"	132,155	"	-
0	"	Motovario	"	"	110,187	"	-
0	"	Century Biotech Development Corp.	"	Notes receivable and accounts receivable	115,807	"	-
0	"	THE MIDDLE EAST	"	Accounts receivable	120,526	"	-
0	"	Tesen	"	Accounts receivable	144,731	"	-
1	Wuxi Teco	TECO ELECTRIC & MACHINERY CO., LTD.	(2)	Other receivables	665,284	"	-
2	Tai-An Wuxi	"	"	"	231,423	"	-
3	TECO (VIETNAM) ELECTRIC & MACHINERY	"	"	"	192,576	"	-
4	Taian (Subic)	"	"	"	133,229	"	-
5	U.V.G	Teco Netherlands	(3)	Other receivables	219,240	"	-
6	Great Teco Motor (PTE) Ltd.	"	"	"	187,920	"	-
7	Motovario Corp.	Motovario	"	"	110,720	"	-
0	TECO ELECTRIC & MACHINERY CO., LTD.	Teco Westinghouse	(1)	Sales	2,756,193	"	5%
0	"	Tong Dai	"	"	1,751,274	"	3%
0	"	Teco Australia	"	"	1,323,072	"	3%
0	"	Teco Westinghouse Canada	"	"	665,617	"	1%
0	"	Teco Singapore	"	"	643,505	"	1%
0	"	E-Joy International	"	"	386,021	"	1%
0	"	Sankyo	"	"	300,384	"	1%
0	"	Top-Tower	"	"	246,873	"	-

Table 8

TECO ELECTRIC & MACHINERY CO., LTD.
Significant inter-company transactions during the reporting period
For the year ended December 31, 2021

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	
0	TECO ELECTRIC & MACHINERY CO., LTD.	Motovario	(1)	Sales	\$ 204,609	-
0	"	Teco Netherlands	"	"	141,461	-
8	Tesen	TECO ELECTRIC & MACHINERY CO., LTD.	(2)	"	3,075,655	6%
1	Wuxi Teco	"	"	"	1,079,179	2%
3	TECO (VIETNAM) ELECTRIC & MACHINERY	"	"	"	786,899	1%
2	Tai-An Wuxi	"	"	"	776,301	1%
9	QingDao Teco	"	"	"	412,507	1%
4	Taian (Subic)	"	"	"	212,694	-

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 percentages 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.

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021		Net profit (loss) of the investee for the year ended December 31, 2021		Investment income recognized by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
TECO ELECTRIC & MACHINERY CO., LTD.	Tung Pei	Taiwan	Manufacturing of bearings	\$ 12,293	\$ 12,293	39,145,044	31.14%	\$ 2,313,312	\$ 816,173	\$ 253,922	None
	Tecom	Taiwan	Manufacturing of key telephone system and nonkey service unit telephone system	431,109	431,109	60,090,307	63.52%	131,766	17,986	3,560	None
	Teco International	Taiwan	Investment holdings, investments in securities and construction of commercial buildings	100,013	100,013	74,409,668	100%	1,811,724	53,970	54,747	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%	10,353,077	231,351	231,794	None
	Teco Singapore and its subsidiaries	Singapore	Distribution of the Company's motor products in Singapore	112,985	112,985	7,200,000	90%	3,304,645	67,597	71,951	None
	Tong-An Investment	Taiwan	Investment holdings	2,490,000	2,490,000	508,860,935	99.60%	35,432,266	1,544,371	1,515,812	None
	Teco Electro	Taiwan	Manufacturing of Stepping motors	82,335	82,335	10,770,864	62.57%	224,503	61,024	37,129	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%	7,933,545	320,192	322,588	None
	ITTS	Taiwan	E-business service, mailing and data management	116,346	116,346	11,467,248	41.97%	229,860	72,481	30,419	None
	Tesen	Taiwan	Manufacturing and sales of home appliance	200,000	200,000	20,000,000	100%	210,739	5,425	9,915	None
	Lien Chang	Taiwan	Manufacturing of color flybacks transformers, mono flyback transformers and mono deflection yokes	117,744	117,744	37,542,159	33.84%	498,574	114,731	38,830	None

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021		Investment income recognized by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value	December 31, 2021	December 31, 2021		
TECO ELECTRIC & MACHINERY	Tong Dai	Taiwan	Distribution of the Company's motor products in Taichung	\$ 22,444	\$ 22,444	6,615,234	83.53%	\$ 394,168	\$ 104,422	\$ 87,196	Note	
	Teco Vietnam	Vietnam	Manufacturing and sales of motors	425,799	382,286	-	-	322,695	(2,206)	682	None	
	Yatec	Taiwan	Development and maintenance of various electric appliances	92,389	92,389	7,799,996	64.95%	149,757	29,204	18,959	None	
	Tong-An Assets	Taiwan	Real estate business	2,111,889	2,111,889	395,415,338	100%	5,290,937	72,509	72,509	None	
	Taian Subic Micropac (BVI) and its subsidiaries	Philippines British Virgin Islands	Manufacturing and sales of switches Manufacturing and distribution of optical fiber apparatus and international trading	165,819 454,923	165,819 454,923	17,131,155 14,883,591	76.70% 100%	181,832 1,215,005	16,593 65,880	12,206 62,901	None	
	Century Development	Taiwan	Development and management of industrial park	951,141	951,141	100,592,884	28.67%	1,365,341	348,228	94,203	None	
Eagle Holding Co.	An-Tai International	Taiwan	Investment holdings	150,000	150,000	34,850,007	100%	621,550	25,103	21,853	None	
	Taiwan Pelican Express	Taiwan	Logistics and distribution services	255,116	255,116	24,121,700	25.27%	471,287	240,501	58,713	None	
	Taian-Eitacom	Taiwan	Bus bar and manufacturing of its components	70,330	70,330	7,033,000	84.73%	146,252	34,210	28,988	None	
TECO MOTOR B.V.	Eagle Holding Co.	Cayman Islands	Investment holdings	3,691,723	3,691,723	1	100%	4,281,054	291,581	291,581	None	
	TECO MOTOR B.V.	Netherlands	Investment holdings	3,691,723	3,691,723	1	100%	4,281,054	291,581	291,581	None	
Tung Pei	Motovario S.p.A	Italy	Production and sale of gear reducers and motors	3,989,850	3,989,850	18,010,000	100%	4,281,054	291,581	291,581	None	
	Tung Pei (SAMOA) Industrial Co., Ltd.	Samoa	Investment holdings and establishment of overseas distribution channel	646,343	646,343	23,031,065	100%	1,898,965	246,776	246,776	None	
Tecom	Baycom	Taiwan	Manufacturing and sales of optical telecom products	431,258	431,258	14,700,741	43.76%	196,161	22,608	9,893	None	
Tong-An Investment	Creative Sensor Inc.	Taiwan	Manufacturing and sales of electronic components	-	87,464	-	-	-	-	2,337	None	
	Century Development	Taiwan	Development and management of industrial park	420,646	420,646	46,235,042	13.18%	673,359	348,228	46,527	None	
	Taiwan Pelican Express	Taiwan	Logistics and distribution services	54,874	54,874	6,474,468	6.78%	186,558	240,501	16,311	None	
	Century Biotech Development Corp.	Taiwan	Development and construction of real estate	514,270	514,270	51,427,000	20.57%	503,966	(1,198)	(247)	None	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021		Net profit (loss) of the investee for the year ended December 31, 2021	Investment income recognized by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value		
Lien Chang	Century Real Estate (International) Pte. Ltd.	Singapore	Investing in other areas	274,856	274,856	9,120,000	30%	203,706 (	15,972) (	4,791) (
	Gen Mao International Corp.	Taiwan	Investment holdings	\$ 92,000	\$ 92,000	12,553,526	100%	\$ 147,890	\$ 15,255	\$ 15,255
	Gen Mao (Singapore)	Singapore	Investment holdings	582,246	582,246	27,502,354	85%	721,968	120,254	94,892
	Gen Mao (Singapore)	Singapore	Investment holdings	91,079	91,079	4,866,045	15.03%	127,697	120,254	16,789
Gen Mao International Corp.	Centurytech Construction and Management Corp.	Taiwan	Construction and sales of related raw materials	168,170	168,170	2,250,000	100%	(37,651)	2,667	3,907
	Jie-Zheng Property Service & Management Co., Ltd.	Taiwan	Building management servicing	13,750	13,750	1,512,500	50%	75,440	37,475	18,799
Century Development	United Development	Taiwan	Investment consultancy service for domestic and foreign industrial parks and land	25,536	25,536	5,016,880	52%	74,288	11,385	5,875
	Century Biotech Development Corp.	Taiwan	Development and construction of real estate	771,460	771,460	77,146,000	30.86%	756,043 (	1,198) (	370) (
	Greyback International Property Inc.	Philippines	Housing project in Subic	9,912	9,912	144,600	30.11%	9,431 (	129) (	39) (
	Century Real Estate (International) Pte. Ltd.	Singapore	Investing in other areas	365,820	365,820	12,160,000	40%	271,607 (	15,972) (	6,389) (
Teco Electro	Teco Electro Devices Co., Ltd.	British Virgin Islands	Trading and investment holdings	88,108	88,108	2,510,000	100%	218,208	59,864	62,248
	Century Development	Taiwan	Development and management of industrial park	179,222	179,222	21,264,873	6%	2,663	348,228	211
Teco International Kuen Ling	Creative Sensor Inc.	Taiwan	Manufacturing and sales of electronic components	-	52,560	-	-	-	-	1,279
	CHING CHI INTERNATIONAL LIMITED	British Virgin Islands	Investing in other areas	201,467	201,467	6,200,000	83%	447,352 (	5,088) (	4,238) (
Tong-An Assets	Century Development	Taiwan	Leasing of real estate	184,893	184,893	17,013,593	5%	213,078	348,228	17,121
	Century Biotech Development Corp.	Taiwan	Development and construction of real estate	514,270	514,270	51,427,000	20.57%	503,966 (	1,198) (	247) (
	Century Real Estate (International) Pte. Ltd.	Singapore	Investing in other areas	274,856	274,856	9,120,000	30%	203,706 (	15,972) (	4,791) (

TECO ELECTRIC & MACHINERY CO., LTD.

Information on investments in Mainland China

For the year ended December 31, 2021

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		Accumulated amount of remittance from Taiwan to	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognized by the Company for the year ended December 31, 2021	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
				China	Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021	as of December 31, 2021						
Teco (Dong Guang)	Manufacturing and sales of air conditioners mechanical	\$ 268,799	Note 2	\$ -	\$ -	\$ -	\$ 188,139	100%	\$ 990	\$ 130,159	\$ -	Note 14
Wuxi Teco Taian (Wuxi)	Manufacturing and sales of motors	1,697,276	Note 1	-	-	-	768,259	84.12%	220,752	1,715,782	216,386	Note 14
Nanchang Teco	Manufacturing and sales of optical fiber	495,213	Note 10	-	-	-	205,551	100%	87,602	1,055,462	217,858	Note 14
Jiangxi Teco	Manufacturing and sales of home appliances	456,293	Note 3	-	-	-	456,293	100%	1,503	(25,961)	-	Note 14
Qingdao Teco	Manufacturing and sales of motors	1,481,569	Note 1	-	-	-	1,383,653	98.07%	64,640	1,507,787	72,823	Note 14
Xiamen An-Tai	Manufacturing and sales of dyes	947,331	Note 1	-	-	-	1,648,510	87.60%	(130,521)	241,822	-	Note 14
	Development, manufacturing and sales of LCD monitors.	678,681	Note 3	-	-	-	467,577	100%	1,578	273,447	-	Note 14
Teco Han Zhou Teco Century	Development and consulting of device products	9,837	Note 1	-	-	-	9,837	100%	(89)	21,618	11,937	Note 15
Fujian Teco	Manufacturing and sales of compressor	680,938	Note 3	-	-	-	340,469	24%	239	27,791	-	Note 15
Shanghai Xingsheng	Manufacturing and sales of electronic components	391,843	Note 1	-	-	-	391,843	100%	(6,265)	48,169	-	Note 15
Jiangxi TECO (AC)	Distribution of air conditioner	24,004	Note 2	-	-	-	-	39.90%	(1,486)	(10,944)	-	Note 15
	Manufacturing and sales of air conditioning mechanical equipment	79,813	Note 3	-	-	-	79,813	100%	4,276	126,968	-	Note 14
Qingdao Teco Innovation	Science Park development and business operations and consulting services	59,444	Note 12	-	-	-	59,444	100%	1,022	40,374	-	Note 15
Shanghai Teco	Sales of home appliances	23,829	Note 1	-	-	-	23,829	100%	94,315	211,592	55,425	Note 14
Hunan TECO	Manufacturing, sales and technical services of 2.0 megawatt and above	240,818	Note 10	-	-	-	240,818	100%	-	-	-	Note 20
Wind Energy Limited	aerogenerator, wheel bay and other components											
Jiangxi TECO Westinghouse	Manufacturing and sales of motors, winding and related parts	119,840	Note 11	-	-	-	-	100%	6,157	116,083	-	Note 14
Motor Coil Co., Ltd.												
Wuxi TECO	Production and sale of	656,500	Note 13	-	-	-	-	100%	20,722	818,207	-	Note 14
Precision Industry Co. Ltd.	industrial motors and applications											
Beijing Pelican Express	Storage services	26,422	Note 4	-	-	-	26,422	100%	-	-	-	Note 19

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China		Amount remitted from Taiwan to Mainland China/ Mainland China/ Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021		Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognized by the Company for the year ended December 31, 2021		Book value of investments in Mainland China as of December 31, 2021		Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021		Footnote
				2021	\$	2021	\$	2021	\$		2021	\$	2021	\$	2021	\$	
Fubon Gehua (Beijing) Trading Co., Ltd.	Merchandise wholesale	\$ 336,660	Note 5	\$ 24,746	\$	-	\$	24,746	\$	-	1.63%	-	-	\$	-	-	Notes 16 and 17
Wuhan Tecom	Communication network information, technology development, sales and technology services business	6,950	Note 6	6,950		-		6,950		100%	799	(	1,198)		-		Note 14
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		-	2,836	482,619	(	102)	100%	(	102)		-		Note 18
Information Technology (Wuxi)	ERP building, system maintenance and purchases of information appliance	10,167	Note 8	10,167		-	-	10,167		100%	2,119		28,518		-		Note 14
Information Technology (Wuxi)	ERP building, system maintenance and purchases of information appliance	4,421	Note 8	-		-	-	-	(	177)	100%	(	330)		-		Note 14
Total Service (Xiamen)																	
Wuxi TECO Electro Devices Co. Ltd.	R&D, manufacturing and sales of motors and provide products sales skills	115,125	Note 9	86,101		-	-	86,101		100%	59,864		218,208		43,266		Note 14

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 Pelicanus 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 Information Technology Total Service (BVI) Co., Ltd. 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 Teco Electro Devices Co., Ltd. and then invest in Mainland China.

Note 10: 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 11: 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 12: 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 13: 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 14: The amount recognized was based on the financial statements that were audited by R.O.C. parent company's CPA firm.

Note 15: The amount recognized was based on the financial statements that were audited by the other CPA firm.

Note 16: Financial assets at fair value through other comprehensive income.

Note 17: As of December 31, 2021, accumulated impairment of \$24,746 was accrued.

Note 18: The liquidation and dissolution were completed in 2021.

Note 19: The company was dissolved in 2021, but the liquidation of the company has not been completed.

Note 20: The liquidation and dissolution were completed in 2020.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	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	\$ 57,397,160
Taiwan Pelican Express Co., Ltd.	51,168	51,168	1,650,497
Tecom Co., Ltd.	489,569	681,144	287,119
Information Technology Total Services Co., Ltd.	10,167	10,167	328,616
Teco Electro Devices Co., Ltd.	86,101	104,259	216,399

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, 2021

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements and guarantees		Maximum balance during the year ended December 31, 2021		Financing		Interest during the year ended December 31, 2021	Others
	Amount	%	Amount	%	Balance at December 31, 2021	%	Balance at December 31, 2021	Purpose	Balance at December 31, 2021	Interest rate	Balance at December 31, 2021	Interest rate		
Wuxi Teco	\$ 9,963	-	\$ -	-	\$ 3,798	-	\$ -	-	\$ -	-	\$ -	-	-	-
Taian (Wuxi)	26,219	-	-	-	5,194	-	-	-	-	-	-	-	-	-
Jiangxi Teco	37,345	-	-	-	5,347	-	-	-	-	-	-	-	-	-
QingDao Teco	303	-	-	-	209	-	-	-	130,950	3.30%	78,192	3.30%	947	-
Xiamen An-Tai	-	-	-	-	-	-	-	-	57,070	1.48%	27,680	1.48%	154	-
Shanghai Teco	8,655	-	-	-	333	-	-	-	-	-	-	-	-	-
Wuxi Teco Precision	20,329	-	-	-	6,531	-	-	-	-	-	-	-	-	-
Wuxi Teco	(1,079,179)	(6%)	-	-	665,284	(12%)	-	-	-	-	-	-	-	-
Taian (Wuxi)	(776,301)	(4%)	-	-	231,423	(4%)	-	-	-	-	-	-	-	-
QingDao Teco	(412,507)	(2%)	-	-	37,362	(1%)	-	-	-	-	-	-	-	-
Jiangxi Teco	(96,292)	(1%)	-	-	14,941	-	-	-	-	-	-	-	-	-
Xiamen An-Tai	(2,870)	-	-	-	-	-	-	-	-	-	-	-	-	-
Jiangxi TECO (AC)	(33,838)	-	-	-	4,836	-	-	-	-	-	-	-	-	-
Wuxi Teco Precision	(35,342)	-	-	-	2,434	-	-	-	-	-	-	-	-	-
Genmao (Suzhao)	(231,410)	(1%)	-	-	32,037	(1%)	-	-	-	-	-	-	-	-



TECO ELECTRIC & MACHINERY CO., LTD.
Major shareholders information
December 31, 2021

Table 12

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
PJ Asset Management Co., Ltd	373,237,991	17.45%
Walsin Lihwa Co., Ltd	230,438,730	10.77%
Jia-Yuan Investment Co., Ltd	135,653,000	6.34%

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, 2021 and 2020, 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, 2021 and 2020, 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 audits 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. 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 Accountant 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 2021 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 2021 consolidated financial statements are stated as follows:

Revenue recognition of export sales of green mechatronic solution business 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 green mechatronic solution business group, intelligence energy business group and air and intelligent life business group in the segment financial information. Green mechatronic solution business group handles the manufacturing and sales of various machinery, equipment and motors. The sales revenue of the green mechatronic solution business group amounted to NT\$26,864,667 thousand, representing 51% of the consolidated total sales revenue for the year ended December 31, 2021. Aside from domestic sales in Taiwan, the customers of green mechatronic solution business 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 green mechatronic solution business 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 green mechatronic solution business group to assess the effectiveness of the internal control process.
2. Validated selected samples of export sales revenue transactions of green mechatronic solution business group to confirm their existence.

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\$2,597,098 thousand and NT\$2,342,121 thousand, both constituting 2% of the consolidated total assets as at December 31, 2021 and 2020, respectively, and total operating revenues amounted to NT\$2,940,496 thousand and NT\$2,844,491 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\$2,377,144 thousand and NT\$2,290,263 thousand, both constituting 2% of consolidated total assets as of December 31, 2021 and 2020, respectively, the credit balance of investments accounted for under the equity method amounted to NT\$132,837 thousand and NT\$72,708 thousand, both constituting less than 1% of consolidated total assets as of December 31, 2021 and 2020, and the comprehensive income recognized from associates and joint ventures accounted for under the equity method amounted to NT\$202,511 thousand and NT(\$21,039) 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, 2021 and 2020.

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.

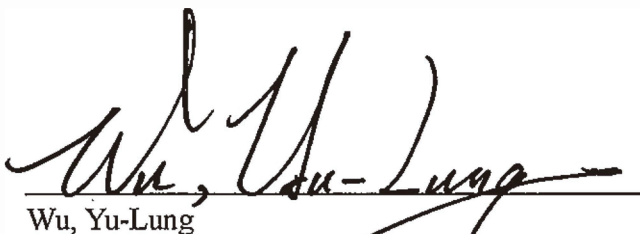
As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

For and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2022



Chou, Chien-Hung

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 17,274,143	13	\$ 20,397,260	19
1110	Current financial assets at fair value through profit or loss	6(2)	2,312,233	2	114,185	-
1120	Current financial assets at fair value through other comprehensive income	6(3)	1,064,454	1	1,280,081	1
1140	Current contract assets		2,319,092	2	1,452,202	2
1150	Notes receivable, net	6(5) and 8	996,956	1	1,172,638	1
1160	Notes receivable - related parties	7	4,201	-	12,264	-
1170	Accounts receivable, net	6(5)	9,926,625	7	8,867,397	9
1180	Accounts receivable - related parties	7	274,873	-	235,939	-
1200	Other receivables		420,113	-	282,185	-
1210	Other receivables - related parties	7	118,561	-	72,460	-
130X	Inventories, net	6(6)	12,252,098	9	9,627,248	9
1410	Prepayments		515,811	-	370,475	-
1470	Other current assets	6(1) and 8	1,854,511	1	1,908,018	2
11XX	Total current assets		49,333,671	36	45,792,352	43
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	4,538,374	4	3,460,272	3
1517	Non-current financial assets at fair value through other comprehensive income	6(3) and 8	45,160,394	33	18,567,933	18
1535	Non-current financial assets at amortised cost, net	6(4) and 8	392,232	-	481,530	1
1550	Investments accounted for under the equity method	6(7) and 7	3,478,685	3	3,912,645	4
1600	Property, plant and equipment, net	6(8) and 8	15,196,458	11	15,912,788	15
1755	Right-of-use assets	6(9) and 8	6,776,467	5	6,752,232	6
1760	Investment property, net	6(10)	2,828,899	2	2,850,964	3
1780	Intangible assets	6(11)	4,439,567	3	5,269,715	5
1840	Deferred income tax assets	6(30)	1,417,175	1	1,365,301	1
1900	Other non-current assets	6(1)(12) and 8	3,050,528	2	1,313,339	1
15XX	Total non-current assets		87,278,779	64	59,886,719	57
1XXX	Total assets		\$ 136,612,450	100	\$ 105,679,071	100

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(14) and 8	\$ 2,042,697	2	\$ 2,816,832	3
2130	Current contract liabilities	6(24)	1,490,821	1	1,493,931	1
2150	Notes payable		1,021,039	1	340,672	-
2160	Notes payable - related parties	7	6,154	-	55,048	-
2170	Accounts payable		9,268,228	7	7,509,868	7
2180	Accounts payable - related parties	7	78,999	-	113,055	-
2200	Other payables	6(16)	5,544,765	4	4,902,975	5
2230	Current income tax liabilities	6(30)	646,719	-	490,113	1
2250	Provisions for liabilities - current		320,207	-	406,874	-
2280	Current lease liabilities		503,953	-	462,876	1
2320	Long-term liabilities, current portion	6(17)(18) and 8	1,491,683	1	302,331	-
2399	Other current liabilities, others		658,746	1	724,393	1
21XX	Total current liabilities		23,074,011	17	19,618,968	19
Non-current liabilities						
2530	Corporate bonds payable	6(17)	5,000,000	4	6,000,000	6
2540	Long-term borrowings	6(18) and 8	3,603,574	2	3,309,400	3
2550	Provisions for liabilities - non-current		115,391	-	132,414	-
2570	Deferred income tax liabilities	6(30)	2,350,403	2	2,539,962	2
2580	Non-current lease liabilities		4,558,141	3	4,423,897	4
2600	Other non-current liabilities	6(7)(19)	2,248,999	2	2,029,198	-
25XX	Total non-current liabilities		17,876,508	13	18,434,871	15
2XXX	Total liabilities		40,950,519	30	38,053,839	34
Equity attributable to owners of parent						
	Share capital	6(20)				
3110	Common stock		21,387,966	16	19,676,929	19
	Capital surplus	6(21)				
3200	Capital surplus		9,529,520	7	7,386,901	9
	Retained earnings	6(22)				
3310	Legal reserve		7,374,048	5	7,024,635	8
3320	Special reserve		3,640,779	3	3,640,779	3
3350	Unappropriated retained earnings		19,712,565	14	17,271,503	15
	Other equity interest	6(23)				
3400	Other equity interest		28,080,595	20	7,339,258	7
3500	Treasury stocks	6(20)	(511,710)	-	(511,710)	-
31XX	Equity attributable to owners of the parent		89,213,763	65	61,828,295	61
36XX	Non-controlling interest	6(34)	6,448,168	5	5,796,937	5
3XXX	Total equity		95,661,931	70	67,625,232	66
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 136,612,450	100	\$ 105,679,071	100

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(2)(9)(10)(24) and 7	\$ 52,557,027	100	\$ 45,823,430	100
5000 Operating costs	6(6)(8)(9)(19)(29) and 7	(39,812,612)	(76)	(35,066,082)	(76)
5900 Net operating margin		12,744,415	24	10,757,348	24
5910 Unrealized profit from sales		(8,354)	-	(9,518)	-
5920 Realized profit from sales		9,518	-	8,263	-
5950 Net operating margin		12,745,579	24	10,756,093	24
Operating expenses	6(8)(9)(19)(29)				
6100 Selling expenses		(4,028,985)	(8)	(3,895,315)	(9)
6200 General and administrative expenses		(2,529,546)	(5)	(2,258,377)	(5)
6300 Research and development expenses		(1,112,911)	(2)	(1,027,177)	(2)
6450 Expected credit impairment losses	12(2)	(4,779)	-	(41,167)	-
6000 Total operating expenses		(7,676,221)	(15)	(7,222,036)	(16)
6900 Operating profit		5,069,358	9	3,534,057	8
Non-operating income and expenses					
7100 Interest income	6(4)(25)	127,351	-	194,926	-
7010 Other income	6(3)(10)(26) and 7	1,421,682	3	1,057,043	2
7020 Other gains and losses	6(2)(9)(13)(15)(27)	(458,742)	(1)	(130,170)	-
7050 Finance costs	6(9)(28)	(203,602)	-	(241,495)	-
7060 Share of profit of associates and joint ventures accounted for under the equity method	6(7)	195,831	-	(14,613)	-
7000 Total non-operating income and expenses		1,082,520	2	865,691	2
7900 Profit before income tax		6,151,878	11	4,399,748	10
7950 Income tax expense	6(30)	(649,687)	(1)	(588,100)	(1)
8200 Profit for the period		\$ 5,502,191	10	\$ 3,811,648	9

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2021		2020	
		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)	(\$ 27,172)	-	(\$ 12,954)	-
8316 Unrealized gains on valuation of investments measured at fair value through other comprehensive income	6(3)	22,629,456	43	4,160,554	9
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		(6,876)	-	(4,075)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	(84,107)	-	247	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		22,511,301	43	4,143,772	9
Other comprehensive income that will be reclassified to profit or loss					
8361 Currency translation differences of foreign operations	6(23)	(1,159,131)	(2)	(422,317)	(1)
8399 Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(30)	122,289	-	70,484	-
8360 Components of other comprehensive income that will be reclassified to profit or loss		(1,036,842)	(2)	(351,833)	(1)
8300 Other comprehensive income for the year		<u>\$ 21,474,459</u>	<u>41</u>	<u>\$ 3,791,939</u>	<u>8</u>
8500 Total comprehensive income for the year		<u>\$ 26,976,650</u>	<u>51</u>	<u>\$ 7,603,587</u>	<u>17</u>
Profit attributable to:					
8610 Owners of the parent		\$ 5,013,134	9	\$ 3,511,358	8
8620 Non-controlling interest		489,057	1	300,290	1
		<u>\$ 5,502,191</u>	<u>10</u>	<u>\$ 3,811,648</u>	<u>9</u>
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 25,981,519	49	\$ 7,262,630	16
8720 Non-controlling interest		995,131	2	340,957	1
		<u>\$ 26,976,650</u>	<u>51</u>	<u>\$ 7,603,587</u>	<u>17</u>
Earnings per share (in dollars)	6(31)				
9750 Basic earnings per share		<u>\$ 2.38</u>		<u>\$ 1.81</u>	
9850 Diluted earnings per share		<u>\$ 2.38</u>		<u>\$ 1.81</u>	

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent										Non-controlling interest	Total equity	
	Notes	Retained Earnings				Other equity interest				Treasury stocks			Total
		Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income					
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	(623)	-	-	-	-	3,511,358	-	-	-	3,511,358	300,290	3,811,648	
Other comprehensive (loss) income for the year		-	-	-	-	(340,951)	(340,951)	4,110,143	-	3,751,272	40,667	3,791,939	
Total comprehensive income		-	-	-	-	3,493,438	(340,951)	4,110,143	-	7,262,630	340,957	7,603,587	
Appropriations of 2019 earnings	(622)	-	-	-	-	-	-	-	-	-	-	-	
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	(620)	-	-	-	-	-	-	-	(190,147)	(190,147)	-	(190,147)	
Transactions with non-controlling interest		-	(26,468)	-	-	-	-	-	-	(26,468)	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		-	-	-	-	-	-	-	-	-	(268,774)	(268,774)	
Proceeds from capital increase of non-controlling interests	(634)	-	-	-	-	-	-	-	-	-	700,000	700,000	
Disposal of investments in equity instruments at fair value through other comprehensive income	(63)(23)	-	-	-	-	690	-	(690)	-	-	-	-	
Balance at December 31, 2020		\$ 19,676,929	\$ 7,386,902	\$ 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	
2021													
Balance at January 1, 2021		\$ 19,676,929	\$ 7,386,902	\$ 7,024,635	\$ 3,640,779	\$ 17,271,503	(\$ 3,017,676)	\$ 10,356,934	(\$ 511,710)	\$ 61,828,296	\$ 5,796,937	\$ 67,625,233	
Profit for the year	(623)	-	-	-	-	5,013,134	-	-	-	5,013,134	489,057	5,502,191	
Other comprehensive (loss) income for the year		-	-	-	-	(33,085)	(1,025,349)	22,026,819	-	20,968,385	506,074	21,474,459	
Total comprehensive income		-	-	-	-	4,980,049	(1,025,349)	22,026,819	-	25,981,519	995,131	26,976,650	
Appropriations of 2020 earnings	(622)	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve		-	-	349,413	-	(349,413)	-	-	-	-	-	-	
Cash dividends		-	-	-	-	(2,459,616)	-	-	-	(2,459,616)	-	(2,459,616)	
Common shares issued for share conversion	(620)	1,711,037	2,097,884	-	-	-	-	-	-	3,808,921	-	3,808,921	
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	36,127	-	-	12,482	-	(12,482)	-	36,127	-	36,127	
Transactions with non-controlling interest	(43)	-	8,607	-	-	-	-	-	-	8,607	(8,607)	-	
Changes in other non-controlling equity		-	-	-	-	-	-	-	-	-	(335,293)	(335,293)	
Disposal of investment in equity instrument at fair value through other comprehensive income	(63)(23)	-	-	-	-	272,075	-	(272,075)	-	-	-	-	
Effect of changes in decrease in entities of associates	(623)	-	-	-	-	(14,515)	9,909	14,515	-	9,909	-	9,909	
Balance at December 31, 2021		\$ 21,387,966	\$ 9,529,520	\$ 7,374,048	\$ 3,640,779	\$ 19,712,565	(\$ 4,033,116)	\$ 32,113,711	(\$ 511,710)	\$ 89,213,763	\$ 6,448,168	\$ 95,661,931	

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 6,151,878	\$ 4,399,748
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(2)(24)(27)	(1,643,837)	(893,503)
Net loss (gain) on financial liabilities at fair value through profit or loss	6(15)(27)	2,638	(50)
Provision for decline in value of inventories	6(6)	177,816	188,159
Expected credit impairment gains	12(2)	4,779	41,167
Interest income	6(25)	(127,351)	(194,925)
Dividend income	6(26)	(884,153)	(615,445)
Interest expense	6(28)	203,602	241,495
Depreciation and amortization	6(8)(9)(10)(29)	1,802,195	2,005,511
Loss (gain) on disposal of investments	6(27)	3,097	(123)
Loss on disposal of property, plant and equipment	6(27)	2,387	38,447
Impairment loss	6(8)(13)(27)	367,190	77,950
Share of (profit) loss of associates and joint ventures accounted for under the equity method	6(7)	(195,831)	14,613
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		37,945	33,706
Current contract assets	(	866,890)	68,878
Notes receivable		175,504	(53,769)
Notes receivable - related parties		8,063	(10,807)
Accounts receivable	(	1,048,247)	(100,191)
Accounts receivable - related parties	(	49,738)	(3,646)
Other receivables	(	137,928)	215,967
Other receivables - related parties	(	46,101)	8,909
Inventories	(	2,802,666)	38,178
Prepayments	(	145,336)	291,981
Other current assets		73,340	(968,564)
Non-current financial assets at fair value through profit or loss		557,742	(296,498)
Changes in operating liabilities			
Current contract liabilities	(	3,110)	492,491
Notes payable		680,367	56,011
Notes payable - related parties	(	48,894)	(26,128)
Accounts payable		1,758,360	725,996
Accounts payable - related parties	(	34,056)	(15,514)
Other payables		707,037	104,671
Provisions for liabilities	(	103,690)	140,699
Other current liabilities	(	65,646)	(11,210)
Other non-current liabilities		219,223	(147,855)
Cash inflow generated from operations		4,729,689	5,846,349
Interest received	6(25)	127,351	194,925
Dividend received		87,747	93,805
Interest paid	(	133,202)	(157,633)
Income tax paid	(	696,332)	(490,601)
Net cash flows from operating activities		4,115,253	5,486,845

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in current financial assets at fair value through profit or loss		(\$ 2,228,000)	\$ -
Increase in current financial assets at fair value through other comprehensive income		(2,446)	(76,684)
Increase in non-current financial assets at fair value through other comprehensive income	6(32)	(143,856)	(20,800)
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income	6(3)	757,346	14,400
Decrease (Increase) in non-current financial assets at amortized cost	6(4)	89,298	(104,274)
Increase in pledged and restricted bank and time deposits	6(1) and 8	(211,646)	(45,818)
Increase in investments accounted for under the equity method and capital reduction to recover investment cost		(208,146)	(26,449)
Proceeds from disposal of investments accounted for under the equity method		-	558
Acquisition of property, plant and equipment	6(8)(32)	(795,821)	(667,913)
Proceeds from disposal of property, plant and equipment		62,585	40,348
Acquisition of intangible assets		(70,416)	(74,978)
Increase in restricted by the legislation on repatriating offshore funds	6(12)	(191,813)	(169,411)
Increase in other non-current assets		(1,545,376)	(206,921)
Dividends received from investments of financial instruments		884,153	615,170
Net cash flows used in investing activities		(3,604,138)	(722,772)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term loans	6(33)	(774,135)	959,195
Proceeds from issuance of bonds payable	6(33)	-	5,000,000
Repayment of bonds	6(33)	-	(3,000,000)
Increase (decrease) in long-term loans	6(33)	483,525	(3,473,021)
Lease liabilities paid	6(9)(33)	(538,703)	(523,774)
Acquisition of the Company’s share by subsidiaries recognized as treasury shares	6(20)	-	(190,147)
Cash dividends paid to non-controlling interests		(226,923)	(200,997)
Proceeds from capital increase of non-controlling interests		-	700,000
Cash dividends paid	6(22)	(2,459,616)	(1,918,798)
Net cash flows used in financing activities		(3,515,852)	(2,647,542)
Exchange rate effect		(118,380)	(830,642)
Net (decrease) increase in cash and cash equivalents		(3,123,117)	1,285,889
Cash and cash equivalents at beginning of year		20,397,260	19,111,371
Cash and cash equivalents at end of year		\$ 17,274,143	\$ 20,397,260

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, 2021 AND 2020

(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 reported to the Board of Directors on March 16, 2022.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments endorsed by FSC effective from 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
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021 (Note)

Note : Earlier application from January 1, 2021 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 2022 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 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 Group’s financial condition and financial performance based on the Group’s assessment.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	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 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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, 2021	December 31, 2020	
Teco Electric & Machinery Co., Ltd.	Teco Holding USA Inc. and subsidiaries	Holding company investing in companies in North America. Its investees are primarily engaged in the manufacturing and sales of motors, generators, winding and related parts.	100	100	
Teco Electric & Machinery Co., Ltd.	United View Global Investment Co., Ltd. and subsidiaries	A holding company whose investees are primarily engaged in the manufacturing, sales and agents of motors, home appliances, heavy industrial products, green power and other various electrical and electronic products in Mainland China, Southeast Asia and Australia.	100	100	Notes 3,6 and 8
Teco Electric & Machinery Co., Ltd.	Temico International Pte. Ltd. and subsidiaries	Holding company investing in companies in India. Its investees are primarily engaged in the manufacturing and sales of motors.	60	60	Notes 4
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	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Teco Electric & Machinery Co., Ltd.	Teco Electric Europe Limited	Distribution of mechatronic products	-	100	Note 16
Teco Electric & Machinery Co., Ltd.	Teco Electric & Machinery (Pte) Ltd. and subsidiaries	Distribution of mechatronic products. Its investees are primarily engaged in the sales of mechatronic products in Singapore, India and neighbouring countries.	100	100	
Teco Electric & Machinery Co., Ltd.	Tong Dai Co., Ltd. and subsidiaries	Distribution of mechatronic products	83.53	83.53	Notes 10
Teco Electric & Machinery Co., Ltd.	Teco Electro Devices Co., Ltd. and subsidiaries	Manufacturing and sales of step-servo motors. Its investees are primarily engaged in the trading, various investments and manufacturing and sales of motors in Mainland China.	64.08	64.08	
Teco Electric & Machinery Co., Ltd.	Yatec Engineering Corporation and subsidiaries	Development and maintenance of various electric appliances	64.95	64.95	
Teco Electric & Machinery Co., Ltd.	Taian (Subic) Electric Co., Inc.	Manufacturing and sales of switches	76.7	76.7	
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 and sales of switches	-	66.85	Notes 11

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Teco Electric & Machinery Co., Ltd.	Micropac Worldwide (BVI) and subsidiaries	International trading. Its investees are primarily engaged in the investment holdings and manufacturing, sales and technical services of fiber electric equipment and aerogenerator components in Mainland China.	100	100	Notes 12
Teco Electric & Machinery Co., Ltd.	E-Joy International Co., Ltd.	Wholesale and retail of electric appliances	98.3	98.53	Notes 17
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. and subsidiaries	Manufacturing and sales of touch-tone phone system and billing box. Its investees are primarily engaged in the various investments, research and development of software and hardware products related to fiber optic communications products in domestic area and Mainland China and technology development, manufacturing, sales and technology services of products related to communication network information.	63.52	63.52	Notes 7,9,13 and 18

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Teco Electric & Machinery Co., Ltd.	Information Technology Total Services Co., Ltd. and subsidiaries	Import sales, leases of franking machines and mail processing and delivery. Its investees are primarily engaged in the services related to information software, data processing and electronic information supply in domestic area and Mainland China.	49.01	49.01	Note 2
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. and subsidiaries	Various productions, investments in securities and construction of commercial buildings. Its investees are primarily engaged in the various investments and sales of motors in Japan.	100	100	
Teco Electric & Machinery Co., Ltd.	Tong-An Investment Co., Ltd. and subsidiaries	Various investments. Its investees are primarily engaged in the building management servicing in domestic area, development and sales of software in Mainland China and Science Park development and business operations consulting services.	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Teco Electric & Machinery Co., Ltd.	Tecnos International Consultant Co., Ltd.	Business management consulting	73.54	73.54	
Teco Electric & Machinery Co., Ltd.	An-Tai International Investment Co., Ltd.	Various investments	100	100	
Teco Electric & Machinery Co., Ltd.	Taiwan Pelican Express Co., Ltd. and subsidiaries	Delivery and logistics services. Its investees are primarily engaged in the storage services in Mainland China.	33.38	32.15	Notes 1 and 15
Teco Electric & Machinery Co., Ltd.	Teco Technology (Vietnam) Co., Ltd.	Manufacturing and sales of mechatronic products	100	100	
Teco Electric & Machinery Co., Ltd.	Eagle Holding Co. and subsidiaries	Holding company investing in companies in Europe. Its investees are primarily engaged in the manufacturing and sales of reducers and motors.	100	100	Note 14
Teco Electric & Machinery Co., Ltd.	Century Development Corporation and subsidiaries	Real estate and industrial park management and development. Its investees are primarily engaged in the construction industry, trades and related operation and investment of materials and sandstone used in construction and machinery, and investment consultancy service for domestic and foreign industrial parks and land.	52.75	52.75	Note 5

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Teco Electric & Machinery Co., Ltd.	Teco.Sun Energy Co., Ltd.	Energy technical services	60	60	

Note 1: 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 2: The Company has control over the Board of Directors of Information Technology Total Services Co., Ltd., and has absolute control over the subsidiary. Thus, the subsidiary was included in the consolidated financial statements.

Note 3: The liquidation of Great Teco, S.L. was completed in 2020.

Note 4: Temico Motor India Private Limited was a newly established subsidiary in 2020.

Note 5: 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 6: Teco Industrial (Malaysia) Sdn. Bhd. issued and granted new shares to Teco Electric & Machinery (Pte) Ltd. in order to exchange the shares of TYM 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 7: Tecom International Investment Co., Ltd. was dissolved after short-form merger with Tecom Co., Ltd. in 2020.

Note 8: The Group repurchased a 1.77% equity interest of Wuxi Teco Electric & Machinery Co., Ltd. as resolved by the Board of Directors in the first quarter of 2021. Therefore, the Group recognised \$8,610 of increase in stockholders' equity from the transactions with non-controlling interest.

Note 9: The liquidation of Tecom Tech (Wuxi) Co., Ltd. was completed in 2021.

Note 10: The Company has control over the Board of Directors of Top-Tower Enterprises Co., Ltd. and has absolute control over the subsidiary. Thus, the subsidiary was included in the consolidated financial statements.

Note 11: The liquidation of Taian (Malaysia) Electric Sdn. Bhd. was completed in 2021.

Note 12: The liquidation of Hunan TECO Wind Energy Limited was completed in 2020.

Note 13: The liquidation of Tecom Tech Investment (B.V. I.) Limited was completed in 2020.

Note 14: The liquidation of Motovario Power Transmission Co. Ltd. was completed in 2021.

Note 15: Pelican Express (Vietnam) Co., LTD was a newly established subsidiary in 2020.

Note 16: The liquidation of Teco Electric Europe Limited was completed in 2021.

Note 17: In 2021, E-Joy International Co., Ltd. distributed employees' compensation for the year 2020 in the form of shares, and the Group's shareholding ratio to the company was decreased to 98.3%. Additionally, Group recognized a change of equity from transactions with non-controlling interest amounting to (\$3).

Note 18: The liquidation of Tecom Global Tech Investment Pte Limited was completed in 2021.

We did not audit the financial statements of certain consolidated subsidiaries which statements reflect total assets of \$ 2,597,098 and \$ 2,342,121 as at December 31, 2021 and

2020, respectively, and net operating revenue of \$ 2,940,496 and \$ 2,844,491 for the years ended December 31, 2021 and 2020, respectively.

C. Subsidiaries not included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
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
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. and its subsidiaries	Import, export and sales of electric wiring devices, lighting, explosion proofing and other accessory products	49.99	49.99	Notes 1, 2 and 3
Tong-An Assets Management & Development Co., Ltd.	Grey Back International Property Inc.	Real estate management and development	100	100	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Tasia (Pte) Ltd.	TECO Technology & Marketing Center Co., Ltd.	Engaged in a variety of investment businesses	100	100	Note 1
Jie Zheng 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. and its affiliates	Restaurant chain	100	100	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: Hubbell-Taian Co., Ltd. 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 of 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(34).

(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

- 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.
- 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.
- 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 settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled 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 assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss 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.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

- A. The contractual rights to receive cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group 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 and remeasure the 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 recognising 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 recognised.
- B. The recoverable amounts of goodwill and intangible assets with an indefinite useful life are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised.

(28) Provisions for other liabilities

Provisions (including product warranties, etc.) are recognised 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 recognised 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 recognised 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 recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised 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 recognised 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 unrecognised 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 highquality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognised 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 recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating 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 recognised 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 recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised 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 tax is recognised, 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 balance sheet. However, the deferred 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 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 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 tax asset is realized or the deferred tax liability is settled.
- D. Deferred 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, unrecognised and recognised 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 recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred 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

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.

(33) Revenue recognition

A. Sales of goods—wholesale

- (a) The Group manufactures and sells various types of mechanical equipment, airconditioning units and electronic equipment products. Sales are recognised 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 recognised 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 recognised 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 recognised 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 repair for faulty products under the standard warranty terms is recognised as a provision.
- (d) A receivable is recognised 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 recognised 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 recognised. If the payments exceed the services rendered, a contract liability is recognised.

(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 recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Group recognises 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 recognised amounts of the acquiree'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 recognised 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 recognised 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 Group's 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 recognising the impairment loss was \$4,361,731 as at December 31, 2021.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and revolving funds	\$ 7,763	\$ 6,792
Checking accounts and demand deposits	11,708,591	8,462,322
Time deposits and notes issued under repurchase agreement	5,557,789	11,928,146
	<u>\$ 17,274,143</u>	<u>\$ 20,397,260</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, 2021 and December 31, 2020, certain bank deposits amounting to \$1,772,377 and \$1,560,731, 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, 2021	December 31, 2020
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed and OTC stocks	\$ -	\$ 19,625
Money market fund	2,304,904	89,548
Derivative instruments	4,046	9,722
	2,308,950	118,895
Valuation adjustments	3,283	(4,710)
	<u>\$ 2,312,233</u>	<u>\$ 114,185</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed and OTC stocks	\$ 889,145	\$ 900,589
Non-listed and OTC stocks	810,394	810,394
Fund beneficiary certificate	734,299	747,889
	2,433,838	2,458,872
Valuation adjustments	2,104,536	1,001,400
	<u>\$ 4,538,374</u>	<u>\$ 3,460,272</u>

A. Amounts recognised 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, 2021	For the year ended December 31, 2020
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	<u>\$ 1,643,837</u>	<u>\$ 893,503</u>

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

	December 31, 2021			
Derivative instrument	Contract period	Contract amount (Notional principal)		Fair value
Forward foreign exchange contracts				
SELL USD/BUY RMB	January 28, 2021 ~ March 31, 2022	USD	12,105,000	\$ 2,923
SELL EUR/BUY USD	November 29, 2021 ~ March 31, 2022	USD	500,000	134
SELL CAD/BUY USD	March 31, 2022 ~ April 29, 2022	USD	1,500,000	461
SELL EUR/BUY USD	February 28, 2022 ~ April 29, 2022	USD	1,500,000	430
SELL CAD/BUY USD	January 25, 2022 ~ February 25, 2022	USD	600,000	<u>98</u>
				\$ 4,046

	December 31, 2020			
		Contract amount		
Derivative instrument	Contract period	(Notional principal)		Fair value
Forward foreign exchange contracts				
SELL USD/BUY RMB	January 22, 2021 ~ April 30, 2021	USD	13,000,000	<u>\$ 9,722</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, 2021		December 31, 2020	
Current items:				
Listed and OTC stocks	\$	683,202	\$	1,090,985
Emerging stocks		<u>6,579</u>		<u>19,672</u>
		689,781		1,110,657
Valuation adjustments		<u>374,673</u>		<u>169,424</u>
	\$	<u>1,064,454</u>	\$	<u>1,280,081</u>
Non-current items:				
Listed and OTC stocks	\$	12,510,333	\$	7,997,598
Non-listed and OTC stocks		<u>330,387</u>		<u>336,664</u>
		12,840,720		8,334,262
Valuation adjustments		<u>32,319,674</u>		<u>10,233,671</u>
	\$	<u>45,160,394</u>	\$	<u>18,567,933</u>

A. The Group has elected to classify investments in Taiwan High Speed Rail, etc. 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 \$46,224,848 and \$19,848,014 as at December 31, 2021 and December 31, 2020, respectively.

B. For the years ended December 31, 2021 and 2020, the Group sold stocks with fair values of \$757,346 and \$14,400, respectively, to raise the capital for operations; the cumulative gains on disposal are \$358,052 and \$690, 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, 2021	For the year ended December 31, 2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 22,629,456	\$ 4,160,554
Cumulative gains reclassified to retained earnings due to derecognition	\$ 358,052	\$ 690
Dividend income recognised in profit or loss		
Held at end of period	\$ 575,536	\$ 500,421
Derecognised during the period	12,976	481
	<u>\$ 588,512</u>	<u>\$ 500,902</u>

- D. The Group additionally issued common shares amounting to 171,103,730 shares to exchange 205,332,690 shares of Walsin Lihwa Corporation's common shares. The acquisition cost was the fair value of those shares exchanged at the effective date amounting to \$3,808,921, and the Group held a 5.98% equity interest in Walsin Lihwa Corporation after the exchange. As a result of the share exchange between the Group and Walsin Lihwa Corporation which was a strategical cooperation, those shares acquired through share exchange were designated to reclassify as financial assets at fair value through other comprehensive income.

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

- F. 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, 2021	December 31, 2020
Non-current items:		
Time deposits	\$ 392,232	\$ 481,530

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

	For the year ended December 31, 2021	For the year ended December 31, 2020
Interest income	\$ 9,627	\$ 9,062

- B. As at December 31, 2021 and 2020, 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 \$392,232 and \$481,530, 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, 2021	December 31, 2020
Notes receivable	\$ 999,065	\$ 1,174,568
Less: Allowance for bad debts	(2,109)	(1,930)
	<u>\$ 996,956</u>	<u>\$ 1,172,638</u>
Accounts receivable	\$ 10,092,843	\$ 9,044,596
Less: Allowance for bad debts	(166,218)	(177,199)
	<u>\$ 9,926,625</u>	<u>\$ 8,867,397</u>

A. The ageing analysis of notes and accounts receivable is as follows:

	December 31, 2021	December 31, 2020
Not past due	\$ 9,179,953	\$ 8,109,155
Up to 30 days	822,447	741,057
31 to 90 days	439,081	706,746
91 to 180 days	168,093	156,230
Over 180 days	<u>314,007</u>	<u>326,847</u>
	<u>\$ 10,923,581</u>	<u>\$ 10,040,035</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, the balances of receivables (including notes receivable) from contracts with customers amounted to \$10,888,402 and \$10,021,308, respectively.

C. As at December 31, 2021 and 2020, 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 \$996,956 and \$1,172,638 and accounts receivable were \$9,926,625 and \$8,867,397, 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, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,779,164	(\$ 183,954)	\$ 3,595,210
Work in progress	1,349,660	(15,062)	1,334,598
Finished goods	5,782,935	(433,049)	5,349,886
Inventory in transit	1,002,498	-	1,002,498
Merchandise inventories	<u>1,000,265</u>	<u>(30,359)</u>	<u>969,906</u>
	<u>\$ 12,914,522</u>	<u>(\$ 662,424)</u>	<u>\$ 12,252,098</u>

	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>

A. The cost of inventories recognized as expense for the years ended December 31, 2021 and 2020 were \$26,741,547 and \$23,742,177, respectively, including \$177,816 and \$188,159 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, 2021 and 2020, respectively.

B. The Group has no inventory pledged to others.

(7) Investments accounted for under the equity method

	December 31, 2021	December 31, 2020
Associates:		
1. Tung Pei Industrial Co., Ltd.	\$ 2,313,312	\$ 2,134,415
2. Lien Chang Electronic Enterprise Co., Ltd.	498,574	465,947
3. Others	666,799	1,312,283
	<u>3,478,685</u>	<u>3,912,645</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)	(135,196)	(134,617)
	<u>\$ 3,343,489</u>	<u>\$ 3,778,028</u>

The share of profit/loss of associates and joint ventures accounted for under the equity method for the years ended December 31, 2021 and 2020 are as follows:

	For the year ended December 31, 2021	For the year ended December 31, 2020
Associates:		
1. Tung Pei Industrial Co., Ltd.	\$ 253,921	\$ 122,438
2. Lien Chang Electronic Enterprise Co., Ltd.	38,830	15,831
3. Others	(96,920)	(152,882)
	<u>\$ 195,831</u>	<u>(\$ 14,613)</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, 2021	December 31, 2020		
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%	"	"

(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, 2021	December 31, 2020
Current assets	\$ 4,638,552	\$ 3,887,356
Non-current assets	7,178,933	7,062,790
Current liabilities	(2,936,294)	(2,408,178)
Non-current liabilities	(1,450,643)	(1,686,638)
Total assets	<u>\$ 7,430,548</u>	<u>\$ 6,855,330</u>
Share in associate's net assets	\$ 2,313,312	\$ 2,134,415
Goodwill	-	-
Carrying amount of the associate	<u>\$ 2,313,312</u>	<u>\$ 2,134,415</u>

Lien Chang Electronic Enterprise Co., Ltd.		
	December 31, 2021	December 31, 2020
Current assets	\$ 1,610,794	\$ 1,716,152
Non-current assets	460,488	581,325
Current liabilities	(508,731)	(880,136)
Non-current liabilities	(89,398)	(40,593)
Total net assets	<u>\$ 1,473,153</u>	<u>\$ 1,376,748</u>
Share in associate's net assets	\$ 498,574	\$ 465,947
Goodwill	-	-
Carrying amount of the associate	<u>\$ 498,574</u>	<u>\$ 465,947</u>

Statement of comprehensive income

Tung Pei Industrial Co., Ltd.		
	For the year ended December 31, 2021	For the year ended December 31, 2020
Revenue	\$ 5,790,986	\$ 4,549,967
Profit for the period from continuing operations	\$ 816,173	\$ 393,323
Other comprehensive loss, net of tax	(2,081)	(64,366)
Total comprehensive income	<u>\$ 814,092</u>	<u>\$ 328,957</u>
Dividends received from associates	<u>\$ 74,376</u>	<u>\$ 54,803</u>

Lien Chang Electronic Enterprise Co., Ltd.		
	For the year ended December 31, 2021	For the year ended December 31, 2020
Revenue	\$ 1,566,696	\$ 2,298,426
Profit for the period from continuing operations	\$ 114,731	\$ 46,775
Other comprehensive income, net of tax	9,406	13,658
Total comprehensive income	<u>\$ 124,137</u>	<u>\$ 60,433</u>
Dividends received from associates	<u>\$ 9,386</u>	<u>\$ -</u>

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

As of December 31, 2021 and 2020, the carrying amount of the Group's individually immaterial associates amounted to \$666,799 and \$1,312,283, respectively.

	For the year ended December 31, 2021	For the year ended December 31, 2020
Loss for the period from continuing operations	(\$ 96,920)	(\$ 152,882)
Total comprehensive loss	(\$ 96,920)	(\$ 152,882)

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

	December 31, 2021	December 31, 2020
Lien Chang Electronic Enterprise Co., Ltd.	\$ 519,959	\$ 461,769

- (e) The Group is the single largest shareholder of Lien Chang Electronic Enterprise Co., Ltd. with a 33.84% equity interest. The company is a listed company and its ownership is dispersed. Also, since 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, 2021 and 2020, 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, 2021 and 2020 were \$202,511 and (\$21,039), respectively. As of December 31, 2021 and 2020, the balances of investments accounted for using equity method were \$2,377,144 and \$2,290,263, respectively. The credit balances of investments accounted for using equity method were \$132,837 and \$72,708, 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, 2021									
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>
2021									
Opening net book amount	\$ 5,420,701	\$ 4,062,981	\$ 3,067,263	\$ 1,768,659	\$ 42,401	\$ 486,614	\$ 91,450	\$ 972,719	\$ 15,912,788
Additions	905	22,009	6,538	184,992	-	107,149	83,716	325,265	730,574
Disposals	(4,330)	(26,270)	-	(21,747)	-	(2,118)	(2)	(10,505)	(64,972)
Impairment loss	-	-	-	(109,433)	-	-	-	-	(109,433)
Reclassifications	(9,757)	(22,093)	-	(3,600)	6,442	-	81	(1,228)	(30,155)
Depreciation charge	-	(194,269)	(173,063)	(300,066)	(14,267)	(80,999)	(34,841)	(339,131)	(1,136,636)
Net exchange differences	(9,091)	(53,461)	-	(27,480)	-	(1,671)	(837)	(13,168)	(105,708)
Closing net book amount	<u>\$ 5,398,428</u>	<u>\$ 3,788,897</u>	<u>\$ 2,900,738</u>	<u>\$ 1,491,325</u>	<u>\$ 34,576</u>	<u>\$ 508,975</u>	<u>\$ 139,567</u>	<u>\$ 933,952</u>	<u>\$ 15,196,458</u>
At December 31, 2021									
Cost	\$ 5,433,125	\$ 8,427,400	\$ 5,281,166	\$ 12,186,896	\$ 630,894	\$ 1,269,506	\$ 617,288	\$ 7,523,329	\$ 41,369,604
Accumulated depreciation and impairment	(34,697)	(4,638,503)	(2,380,428)	(10,695,571)	(596,318)	(760,531)	(477,721)	(6,589,377)	(26,173,146)
	<u>\$ 5,398,428</u>	<u>\$ 3,788,897</u>	<u>\$ 2,900,738</u>	<u>\$ 1,491,325</u>	<u>\$ 34,576</u>	<u>\$ 508,975</u>	<u>\$ 139,567</u>	<u>\$ 933,952</u>	<u>\$ 15,196,458</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, 2020</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>\$ 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>2020</u>									
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>
<u>At December 31, 2020</u>									
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>

- A. For the years ended December 31, 2021 and 2020, 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. The Group entered into a development contract for the joint construction and allocation of housing units with Kindom Development Co., Ltd. using the 16 lots located in No. 148, Hong Fu Section, Xin Zhuang District, New Taipei City which were provided by the subsidiary, Tong-An Investment Co., Ltd., as resolved by the Board of Directors on March 23, 2021. Kindom Development Co., Ltd. is responsible for planning and designing, dismantling the existing buildings, constructing and assuming all other expenses. The expected equity ratio is 52%~55% by reference to the appraisal report issued by real estate appraiser firm.
- D. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- E. 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.

(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 \$1,752,409 and acquired land ownership of certificate for 99 years. On July 16, 2021, an agreement was signed with KIADB with a transfer of ownership term, agreeing to transfer the ownership to the lessee at the end of the 10-year lease term for the amount of royalties paid by the lessee and recognized by the landlord, if the lessee completes the development conditions specified in the terms.
- E. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$642,980 and \$63,742 and the sublease income were \$807,763 and \$773,830, respectively.
- F. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Carrying amount	Carrying amount
	December 31, 2021	December 31, 2020
Land (including royalties)	\$ 4,652,262	\$ 4,809,179
Buildings	2,099,957	1,890,989
Machinery and equipment	9,689	30,105
Transportation equipment (Business vehicles)	14,559	21,959
	<u>\$ 6,776,467</u>	<u>\$ 6,752,232</u>
	Depreciation charge	Depreciation charge
	For the year ended	For the year ended
	December 31, 2021	December 31, 2020
Land (including royalties)	\$ 86,928	\$ 99,262
Buildings	400,279	368,502
Machinery and equipment	9,956	13,331
Transportation equipment (Business vehicles)	11,072	13,232
	<u>\$ 508,235</u>	<u>\$ 494,327</u>

- G. Interest expenses on lease liabilities for the years ended December 31, 2021 and 2020 were \$70,400 and \$83,862 and the cash outflows were \$538,703 and \$523,774, 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, 2021 and 2020 were \$465,946 and \$363,915; \$20,022 and \$21,729, 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 \$22,846 and \$19,899 in profit from lease modification (shown as ‘7020 Other gains and losses’) for the year ended December 31, 2021 and 2020, respectively.

(10) Investment property

	Land	Buildings and structures	Right-of-use assets	Total
<u>At January 1, 2021</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>
<u>2021</u>				
Opening net book amount	\$ 1,505,457	\$ 1,331,081	\$ 14,426	\$ 2,850,964
Additions	-	-	23,342	23,342
Reclassifications (transfer during the period)	9,757	22,093	-	31,850
Depreciation charge	-	(67,532)	(1,767)	(69,299)
Net exchange differences	(4,896)	(2,425)	(637)	(7,958)
Closing net book amount	<u>\$ 1,510,318</u>	<u>\$ 1,283,217</u>	<u>\$ 35,364</u>	<u>\$ 2,828,899</u>
<u>At December 31, 2021</u>				
Cost	\$ 1,510,318	\$ 2,815,538	\$ 49,686	\$ 4,375,542
Accumulated depreciation and impairment	-	(1,532,321)	(14,322)	(1,546,643)
	<u>\$ 1,510,318</u>	<u>\$ 1,283,217</u>	<u>\$ 35,364</u>	<u>\$ 2,828,899</u>

	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 (transfers 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>
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, 2021	For the year ended December 31, 2020		
Rental income from investment property	<u>\$ 180,833</u>	<u>\$ 180,530</u>		
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 53,922</u>	<u>\$ 52,567</u>		
Direct operating expenses arising from the investment property that did not generate rental income during the period	<u>\$ -</u>	<u>\$ -</u>		
B. The fair value of the investment property held by the Group as at December 31, 2021 and, 2020 were \$5,415,841 and \$5,223,819, respectively, which is categorized within Level 3 in the fair value hierarchy.				

(11) Goodwill (listed as '1780 Intangible assets')

	2021	2020
<u>At January 1</u>		
Cost	\$ 5,206,760	\$ 5,039,455
Accumulated amortization and impairment	(57,527)	-
	<u>\$ 5,149,233</u>	<u>\$ 5,039,455</u>
Opening net book amount	\$ 5,149,233	\$ 5,039,455
Impairment loss	(257,757)	(57,527)
Net exchange differences	(529,745)	167,305
Closing net book amount	<u>\$ 4,361,731</u>	<u>\$ 5,149,233</u>
<u>At December 31</u>		
Cost	\$ 4,677,015	\$ 5,206,760
Accumulated amortization and impairment	(315,284)	(57,527)
	<u>\$ 4,361,731</u>	<u>\$ 5,149,233</u>

Goodwill is allocated as follows to the Group's cash-generating units identified according to operating segment:

	December 31, 2021	December 31, 2020
Green mechatronic solution business group	<u>\$ 4,361,731</u>	<u>\$ 5,149,233</u>

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, 2021, the goodwill arising from the merger amounted to \$4,336,176.

(12) Other non-current assets

	December 31, 2021	December 31, 2020
Prepayment for equipment	\$ 2,205,658	\$ 692,736
Deposits account for repatriation of capital from Taiwan's offshore companies	361,224	169,411
Refundable deposits	243,614	236,051
Long-term notes and accounts receivable	165,054	146,784
Deferred expenses	39,450	35,934
Other assets	35,528	32,423
	<u>\$ 3,050,528</u>	<u>\$ 1,313,339</u>

- A. The Group's subsidiary, Century Development Corporation is responsible for construction of the Taipei City Nangang Biotechnology Industry Cluster Development BOT Project. As of December 31, 2021, the amount of prepayment for equipment was \$1,750,581.
- B. 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 meeting 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. As of December 31, 2021, the company had submitted the investment plan to the Industrail Development Bureau, Ministry of Economic Affairs, and the investment plan was approved. Also, the company withdrew funds from the specific account for reinvestment.

- C. The Group's repatriation of offshore reinvestment income amounting to US\$10,500,000 is allowed to apply a preferential tax rate of 10% and shall be reserved in foreign exchange deposit account before having substantial investments as a result of the Group meeting 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 26, 2021. As of December 31, 2021, no withdrawal has been made from the specific account.
- D. The Group's repatriation of offshore reinvestment income amounting to US\$4,000,000 is allowed to apply a preferential tax rate of 10% and shall be reserved in foreign exchange deposit account before having substantial investments as a result of the Group meeting 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, 2021. As of December 31, 2021, no withdrawal has been made from the specific account.

(13) Impairment of non-financial assets

- A. The Group recognised impairment loss for the years ended December 31, 2021 and 2020 amounting to \$367,190 and \$77,950, respectively. Details of such loss are as follows:

	For the year ended December 31, 2021	For the year ended December 31, 2020
	Recognised in profit or loss	Recognised in profit or loss
Impairment loss — goodwill	\$ 257,757	\$ 57,527
Impairment loss — machinery	109,433	20,423
	<u>\$ 367,190</u>	<u>\$ 77,950</u>

- B. The impairment loss reported by operating segments is as follows:

	For the year ended December 31, 2021	For the year ended December 31, 2020
	Recognised in profit or loss	Recognised in profit or loss
Green mechatronic solution business group	\$ 359,675	\$ 62,083
Air and intelligent life business group	7,515	15,867
	<u>\$ 367,190</u>	<u>\$ 77,950</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.
- E. There was an indication that assets of the Company's subsidiaries, Qingdao Teco Precision Mechatronics Co., Ltd. was impaired. Under the impairment assessment, the Group had adjusted the carrying amount in line with the recoverable amount, and recognised impairment loss amounting to \$101,918 for the year ended December 31, 2021.
- F. The Company won the bid to contract New eID project from the Central Engraving and Printing Plant for the year ended December 31, 2020. On January 27, 2021, the Company received the notification from the Central Engraving and Printing Plant (CEPP) for suspending the project due to the Ministry of the Interior's tentative postponement of New eID project, accordingly, there was an indication that the purchased equipment of the Company's subsidiary, TECO Smart Technologies Co., Ltd. was impaired. The Group adjusted the carrying amount based on the recoverable amount after the impairment assessment and recognised impairment loss in the amount of \$7,515 for the year ended December 31, 2021.

- G. Operating revenue of Motorvario S.p.A is lower than its forecast due to the Covid-19 outbreak for the year ended December 31, 2020. For the year ended December 31, 2021, the present value of estimated recoverable amount reduced which was affected by the overall economic environment and changes in discount rate due to the possible interest rate raising, and 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 \$257,757 and \$57,527 for the year ended December 31, 2021 and 2020, respectively. 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, 2021	For the year ended December 31, 2020
Growth rate	2.16%	2.11%
Discount rate	8.14%	8.25%

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, 2021	Interest rate range	Collateral
Bank borrowings	\$ 2,042,697	0.60%~5.00%	Notes receivable, land, buildings and structures, demand deposits and time deposits
Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings	\$ 2,816,832	0.60%~5.00%	Notes receivable, land, buildings and structures and right-of-use assets

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

- As of December 31, 2021 and 2020, the Group did not hold non-hedging derivative financial liabilities.
- The Group recognized net (loss) income of (\$2,638) and \$50 on financial liabilities held for trading for the years ended December 31, 2021 and 2020, respectively.
- As at December 31, 2021, information on the non-hedging derivative instruments transaction is provided in Note 6(2).
- 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, 2021	December 31, 2020
Salary and wages payable	\$ 2,027,413	\$ 1,900,645
Employees' compensation payable	644,678	616,912
Dealers' bonus commission payable	214,584	200,189
Directors' and supervisors' remuneration payable	165,413	168,282
Equipment payable	131,883	197,130
Dividends payable	28,353	25,156
Others	2,332,441	1,794,661
	<u>\$ 5,544,765</u>	<u>\$ 4,902,975</u>

(17) Bonds payable

	December 31, 2021	December 31, 2020
Issuance of bonds payable	\$ 6,000,000	\$ 6,000,000
Less: Current portion of bonds payable (listed as '2320 Long-term liabilities, current portion')	(1,000,000)	-
	<u>\$ 5,000,000</u>	<u>\$ 6,000,000</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	Collateral	December 31, 2021
Long-term bank borrowings and commercial papers payable	Both borrowing periods are from March 15, 2019 to March 12, 2025; payable based on the agreed terms.	0.62%~5.70%	Note	\$4,095,256
Less: Current portion (listed as '2320 Long-term liabilities, current portion')				(491,682)
				<u>\$3,603,574</u>
Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2020
Long-term bank borrowings and commercial papers payable	Both borrowing periods are from March 15, 2019 to March 12, 2025; 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>

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, 2021 and 2020, the Group has undrawn borrowing facilities of \$20,044,060 and \$22,248,893, 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, 2021	December 31, 2020
Present value of defined benefit obligations (\$	1,903,650)	(\$ 1,991,074)
Fair value of plan assets	356,988	334,126
Net defined benefit liability	<u>(\$ 1,546,662)</u>	<u>(\$ 1,656,948)</u>

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

	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 1,991,074)	\$ 334,126	(\$ 1,656,948)
Current service cost	(6,773)	-	(6,773)
Interest (expense) income	(8,667)	1,030	(7,637)
Settlement profit or loss	973	-	973
	<u>(2,005,541)</u>	<u>335,156</u>	<u>(1,670,385)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,618	4,618
Change in demographic assumptions	(34,929)	-	(34,929)
Change in financial assumptions	34,706	-	34,706
Experience adjustments	(31,567)	-	(31,567)
	<u>(31,790)</u>	<u>4,618</u>	<u>(27,172)</u>
Pension fund contribution	-	116,724	116,724
Paid pension	98,708	(98,708)	-
Paid from the account	14,127	-	14,127
Effect of business combination changes	20,847	(803)	20,044
At December 31	<u>(\$ 1,903,649)</u>	<u>\$ 356,987</u>	<u>(\$ 1,546,662)</u>

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
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 profit 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)
At December 31	<u>(\$ 1,991,074)</u>	<u>\$ 334,126</u>	<u>(\$ 1,656,948)</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and 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 securitisation 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 authorised by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 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, 2021	For the year ended December 31, 2020
Discount rate	0.50%~6.72%	0.30%~6.23%
Future salary increases	0.50%~8.00%	0.50%~10.00%

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	
	Increase0.5%	Decrease 0.5%	Increase0.5%	Decrease 0.5%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 58,723)	\$ 62,061	\$ 61,315	(\$ 58,158)
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 64,862)	\$ 68,744	\$ 67,800	(\$ 64,324)

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, 2022 is \$94,690.

(g) The weighted average duration of the defined benefit obligation was 7.2~14 years as of December 31, 2021.

- 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 three-month and nine-month periods ended September 30, 2021 and 2020 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, 2021 and 2020 were \$457,702 and \$375,272, respectively.

(20) Share capital

- A. As of December 31, 2021, 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 \$21,387,966 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

	2021	2020
At January 1	1,967,693	1,967,693
Issuance of common shares	171,104	-
At September 30	2,138,797	1,967,693

Note: Shares in thousands.

- B. 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.
- 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, and Top-Tower Enterprises Co., Ltd. acquired the Company's shares. Furthermore, the subsidiary - Taiwan Pelican Express Co., Ltd. is a subsidiary over which the Company has substantial control, and such investment on the Company's shares is a general investment. As of December 31, 2021 and 2020, book value of the shares of the Company held by the subsidiaries and second-tier subsidiaries were all \$511,710.

Details are as follows:

	December 31, 2021		
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	\$ 14.92	\$ 31.65
An-Tai International Investment Co., Ltd.	2,826	10.37	31.65
Top-Tower Enterprises Co., Ltd.	77	9.37	31.65
Taiwan Pelican Express Co., Ltd.	7,070	26.89	31.65
	29,513		
	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
	29,513		

(21) Capital surplus

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.

(22) Retained earnings

- 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 dividends shall account for 5% ~ 50% of the distributed amount. Stock dividends shall be approved by the shareholders at the shareholders' meeting while cash dividends shall be approved by the Board of Directors under a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors and reported to the shareholders at the shareholders' meeting.
- 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 periods if the assets are investment property other than land. As of March 31, 2021, 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 appropriations of the 2020 net income was proposed by the Board of Directors on March 23, 2021 while the appropriations of the 2019 net income was resolved by the stockholders on May 11, 2020 as follows:

	For the year ended December 31, 2020		For the year ended December 31, 2019	
	Dividend per share		Dividend per share	
	Amount	(in dollars)	Amount	(in dollars)
Legal reserve	\$ 349,413		\$ 322,172	
Cash dividends	2,459,616	\$ 1.15	1,948,016	\$ 0.99

On July 23, 2021, the appropriation of 2020 earnings approved by the Company's shareholders was in agreement with the abovementioned proposals made by the Board of Directors.

F. The appropriations of the 2021 net income was proposed by the Board of Directors on March 16, 2022 as follows:

	For the year ended December 31, 2021	
	Dividend per share	
	Amount	(in dollars)
Legal reserve	\$ 525,009	
Cash dividends	2,887,375	\$ 1.35

(23) Other equity items

	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1, 2021	\$ 10,356,934	(\$ 3,017,676)	\$ 7,339,258
Unrealized gains and losses on financial assets:			
Revaluation	22,108,471	-	22,108,471
Revaluation - tax	(85,977)	-	(85,977)
Revaluation - associates	4,325	-	4,325
Revaluation transferred to profit or loss	-	9,909	9,909
Revaluation transferred to retained earnings	(358,052)	-	(358,052)
Revaluation transferred to retained earnings - tax	85,977	-	85,977
Revaluation transferred to retained earnings - associates	2,033	-	2,033
Currency translation differences:			
–Group	-	(1,025,349)	(1,025,349)
At December 31, 2021	<u>\$ 32,113,711</u>	<u>(\$ 4,033,116)</u>	<u>\$ 28,080,595</u>

	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:			
–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	\$ 10,356,934	(\$ 3,017,676)	\$ 7,339,258

(24) Operating revenue

	For the year ended December 31, 2021	For the year ended December 31, 2020
Revenue from customers	\$ 50,440,359	\$ 44,491,182
Others - rental revenue	808,028	859,426
Others - gain on financial assets at fair value through profit or loss	1,308,640	472,822
	<u>\$ 52,557,027</u>	<u>\$ 45,823,430</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, 2021	For the year ended December 31, 2020
	Revenue from external customer contracts	Revenue from external customer contracts
Sales of green mechatronic solution business group products	\$ 28,610,420	\$ 25,162,185
Sales of air and intelligent life business group products	5,717,120	5,268,253
Others	1,479,560	1,885,678
Service revenue	8,642,445	7,762,790
Construction contract	5,990,814	4,412,276
	<u>\$ 50,440,359</u>	<u>\$ 44,491,182</u>

B. The Group has recognized the following revenue-related contract assets and liabilities:

	For the year ended December 31, 2021	For the year ended December 31, 2020
Revenue recognized that was included in the contract liability balance at the beginning of the year		
Advance sales receipts	<u>\$ 392,159</u>	<u>\$ 495,680</u>

(25) Interest income

	For the year ended December 31, 2021	For the year ended December 31, 2020
Interest income from bank deposits	\$ 117,724	\$ 185,864
Interest income from financial assets measured at amortised cost	9,627	9,062
	<u>\$ 127,351</u>	<u>\$ 194,926</u>

(26) Other income

	For the year ended December 31, 2021	For the year ended December 31, 2020
Rental revenue	\$ 189,220	\$ 177,915
Dividend income	884,153	615,445
Other non-operating income	348,309	263,683
	<u>\$ 1,421,682</u>	<u>\$ 1,057,043</u>

(27) Other gains and losses

	For the year ended December 31, 2021	For the year ended December 31, 2020
Loss on disposal of property, plant and equipment	(\$ 2,387)	(\$ 38,447)
(Loss) gain on disposal of investments	(3,097)	123
(Loss) gain arising from lease modifications	(211)	316
Gains arising from concession of lease payments	22,846	19,899
Net currency exchange loss	(62,535)	(80,595)
Gain on financial assets at fair value through profit or loss	335,197	420,681
Loss on financial liabilities at fair value through profit or loss	(2,638)	50
Impairment loss (Note)	(367,190)	(77,950)
Miscellaneous disbursements	(378,727)	(374,247)
	<u>(\$ 458,742)</u>	<u>(\$ 130,170)</u>

Note: Information regarding provision for impairment of assets for the year ended December 31, 2021 and 2020 is provided in Note 6(13).

(28) Finance costs

	For the year ended December 31, 2021	For the year ended December 31, 2020
Interest expense	\$ 201,665	\$ 236,730
Other finance expenses	1,937	4,765
	<u>\$ 203,602</u>	<u>\$ 241,495</u>

(29) Expenses by nature (including employee benefit expense)

	For the year ended December 31, 2021	For the year ended December 31, 2020
Wages and salaries	\$ 8,620,501	\$ 8,239,885
Employees' compensation and directors' remuneration	615,754	553,830
Labor and health insurance fees	1,101,304	921,205
Pension costs	471,139	396,038
Other personnel expenses	433,881	409,533
Depreciation charges on property, plant and equipment as well as investment property	1,205,935	1,395,509
Depreciation charges on right-of-use assets and amortization charges on intangible assets	596,260	610,002

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, 2021 and 2020, employees' compensation was accrued at \$303,438 and \$284,575, respectively; while directors' remuneration was accrued at \$85,195 and \$126,478, respectively. The aforementioned amounts were recognized in salary expenses.

C. For the year ended December 31, 2021, 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 \$303,727 and \$85,273, and the employees' compensation will be distributed in the form of cash.

The difference of \$16,539 between employees' compensation of \$284,575 and directors' remuneration of \$126,478 as resolved by the Board of Directors which is mainly arising from changes in estimate of directors' remuneration and the amount recognised in the 2020 financial statements had been adjusted in the profit or loss of 2021.

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, 2021	For the year ended December 31, 2020
Current tax:		
Current tax on profits for the year	\$ 787,593	\$ 574,580
Tax on undistributed surplus earnings	34,771	33,600
Prior year income tax overestimation	(55,449)	(211,587)
Effect from Alternative Minimum tax	46	50
Total current tax	766,961	396,643
Deferred tax:		
Origination and reversal of temporary differences	(117,274)	191,457
Total deferred tax	(117,274)	191,457
Income tax expense	\$ 649,687	\$ 588,100

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

	For the year ended December 31, 2021	For the year ended December 31, 2020
Current tax:		
Changes in fair value of financial assets at fair value through other comprehensive income	\$ 85,977	\$ -
Deferred tax:		
Currency translation differences	(122,289)	(70,484)
Remeasurement of defined benefit obligations	(1,870)	(247)
Total deferred tax	(124,159)	(70,731)
Income tax charge relating to components of other comprehensive income	(\$ 38,182)	(\$ 70,731)

B. Reconciliation between income tax expense and accounting profit:

	For the year ended December 31, 2021	For the year ended December 31, 2020
Tax calculated based on profit before tax and statutory tax rate	\$ 1,532,963	\$ 1,015,232
Effects from items disallowed by tax regulation	(504,088)	(246,684)
Effect from investment tax credits	(44,131)	(35,287)
Prior year income tax overestimation	(55,449)	(211,587)
Under (over) estimation of prior year's net deferred tax assets and liabilities		
earnings	(355,337)	31,760
Tax on undistributed surplus earnings	34,771	33,600
Effect from Alternative Minimum Tax	46	50
Others	40,912	1,016
Income tax expense	\$ 649,687	\$ 588,100

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, 2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences				
— Deferred tax assets:				
Impairment loss	\$ 96,779	\$ -	\$ -	\$ 96,779
Currency translation differences	371,764	-	122,289	494,053
Difference resulting from different useful lives of property, plant and equipment between financial and tax basis	44,377	(375)	-	44,002
Unrealized expenses	253,769	(17,060)	-	236,709
Permanent loss on investments	35,080	-	-	35,080
Loss on inventory	133,531	(42,223)	-	91,308
Bad debt exceeded the limit stated by Income Tax Law	11,399	(1,713)	-	9,686
Others	218,392	1,913	1,870	222,175
Tax losses	<u>200,210</u>	<u>(12,827)</u>	<u>-</u>	<u>187,383</u>
	<u>1,365,301</u>	<u>(72,285)</u>	<u>124,159</u>	<u>1,417,175</u>
— Deferred tax liabilities:				
Investment income from foreign investments	\$ 911,080	\$ 70,413	\$ -	\$ 981,493
Land value incremental reserve	1,049,787	134	-	1,049,921
Trademark right	279,880	(279,880)	-	-
Others	<u>299,215</u>	<u>19,774</u>	<u>-</u>	<u>318,989</u>
	<u>2,539,962</u>	<u>(189,559)</u>	<u>-</u>	<u>2,350,403</u>
	<u>(\$ 1,174,661)</u>	<u>\$ 117,274</u>	<u>\$ 124,159</u>	<u>(\$ 933,228)</u>

For the year ended December 31, 2020				
	January 1	Recognised in profit or loss	Recognised 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
Bad debt exceeded the limit stated by Income Tax Law	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>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2021				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
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	278,639	113,670	2025
2016	Amount assessed	142,273	43,004	2026
2017	Amount assessed	149,189	32,549	2027
2018	Amount assessed	115,790	39,262	2028
2019	Amount filed	200,652	107,813	2029
2020	Amount filed	129,469	125,756	2030
2021	Amount filed	142,293	117,981	2031
		<u>\$ 1,699,312</u>	<u>\$ 1,121,042</u>	
December 31, 2020				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry 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>	

E. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2021	December 31, 2020
Deductible temporary differences	<u>\$ 1,524,632</u>	<u>\$ 1,570,422</u>

F. The Board of Directors of certain subsidiaries resolved to not repatriate earnings and to reserve earnings for local operation use, therefore, the Company has not recognized taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2021 and 2020, the amounts of temporary differences unrecognised as deferred tax liabilities were \$3,496,513 and \$3,768,639, respectively.

G. As of December 31, 2021, the Company and its subsidiaries' income tax returns through various years between 2018 and 2020, respectively, have been assessed and approved by the Tax Authority.

(31) Earnings per share

	For the year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic (Diluted) earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 5,013,134	2,105,523	\$ 2.38

Note: The earnings per share of \$2.35 (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, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
<u>Basic (Diluted) earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,511,358	1,939,447	\$ 1.81

Note: The earnings per share of \$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.

(32) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the year ended December 31, 2021	For the year ended December 31, 2020
Acquisition of property, plant and equipment	\$ 730,574	\$ 789,629
Add:		
Payables at beginning of the year	197,130	75,414
Less:		
Payables at end of the year	(131,883)	(197,130)
Cash paid	\$ 795,821	\$ 667,913

B. Investing and financing activities with partial cash payments:

	For the year ended December 31, 2021	For the year ended December 31, 2020
Acquisition of financial assets at fair value through other comprehensive income - non-current	\$ 3,952,777	\$ 20,800
Less:		
Conversion through issuing common shares	(3,808,921)	-
Cash paid	\$ 143,856	\$ 20,800

(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, 2021	\$ 2,816,832	\$ 25,156	\$ 6,000,000	\$ 3,611,731	\$ 4,886,773	\$ 17,340,492
Interest expenses on lease liabilities	-	-	-	-	70,400	70,400
Recognised in right -of-use assets	-	-	-	-	642,980	642,980
Remeasurement	-	-	-	-	30,761	30,761
Changes in cash flow from financing activities (	774,135)	3,197	-	483,525	(538,703)	(826,116)
Effect of foreign exchange	-	-	-	-	(30,117)	(30,117)
December 31, 2021	<u>\$ 2,042,697</u>	<u>\$ 28,353</u>	<u>\$ 6,000,000</u>	<u>\$ 4,095,256</u>	<u>\$ 5,062,094</u>	<u>\$ 17,228,400</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, 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>

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, 2021 and 2020, the non-controlling interest amounted to \$6,448,168 and \$5,796,937, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2021		December 31, 2020	
		Amount	Ownership	Amount	Ownership
Tecom Co., Ltd. and subsidiaries	R.O.C	\$ 300,195	36.48%	\$ 297,607	36.48%
Taiwan Pelican Express Co., Ltd. and subsidiaries	R.O.C	1,832,601	66.62%	1,356,851	67.85%
Century Development Corporation and subsidiaries	R.O.C	2,804,257	47.25%	2,653,596	47.25%
Information Technology Total Services Co., Ltd. and subsidiaries	R.O.C	279,263	50.99%	270,760	50.99%

B. 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.

C. Summarized financial information of the subsidiaries:

Balance sheets

	Tecom Co., Ltd. and subsidiaries	
	December 31, 2021	December 31, 2020
Current assets	\$ 1,083,023	\$ 916,013
Non-current assets	959,170	986,877
Current liabilities	(1,099,856)	(863,084)
Non-current liabilities	(463,807)	(560,811)
Total net assets	\$ 478,530	\$ 478,995
	Taiwan Pelican Express Co., Ltd. and subsidiaries	
	December 31, 2021	December 31, 2020
Current assets	\$ 1,856,384	\$ 1,715,232
Non-current assets	3,154,073	2,125,175
Current liabilities	(1,116,058)	(966,119)
Non-current liabilities	(1,143,572)	(890,016)
Total net assets	\$ 2,750,827	\$ 1,984,272

Century Development Corporation and subsidiaries		
	December 31, 2021	December 31, 2020
Current assets	\$ 1,484,032	\$ 2,140,653
Non-current assets	8,878,166	7,799,434
Current liabilities	(1,003,461)	(737,816)
Non-current liabilities	(2,793,047)	(2,892,825)
Total net assets	<u>\$ 6,565,690</u>	<u>\$ 6,309,446</u>

Information Technology Total Services Co., Ltd. and subsidiaries		
	December 31, 2021	December 31, 2020
Current assets	\$ 567,611	\$ 680,547
Non-current assets	282,442	263,195
Current liabilities	(287,813)	(399,604)
Non-current liabilities	(14,546)	(13,118)
Total net assets	<u>\$ 547,694</u>	<u>\$ 531,020</u>

Statements of comprehensive income

Tecom Co., Ltd. and subsidiaries		
	For the year ended December 31, 2021	For the year ended December 31, 2020
Revenue	\$ 1,070,339	\$ 1,075,457
Profit (loss) before income tax	23,196	(32,529)
Income tax expense	(5,210)	(2,172)
Profit (loss) for the year	17,986	(34,701)
Other comprehensive loss (net of tax)	(16,330)	(86,521)
Total comprehensive income (loss) for the year	<u>\$ 1,656</u>	<u>(\$ 121,222)</u>
Comprehensive loss attributable to non-controlling interest	<u>(\$ 16,748)</u>	<u>(\$ 51,042)</u>

Taiwan Pelican Express Co., Ltd. and subsidiaries		
	For the year ended December 31, 2021	For the year ended December 31, 2020
Revenue	\$ 4,466,137	\$ 3,983,309
Profit before income tax	296,515	257,623
Income tax expense	(56,014)	(48,608)
Profit for the year	240,501	209,015
Other comprehensive income (net of tax)	697,895	160,567
Total comprehensive income for the year	\$ 938,396	\$ 369,582
Comprehensive income attributable to non-controlling interest	\$ 625,159	\$ 250,761
Dividends paid to non-controlling interest	\$ 114,480	\$ 77,729
Century Development Corporation and subsidiaries		
	For the year ended December 31, 2021	For the year ended December 31, 2020
Revenue	\$ 817,748	\$ 859,706
Profit before income tax	405,313	124,447
Income tax expense	(57,085)	(61,248)
Profit for the year	348,228	63,199
Other comprehensive loss (net of tax)	(38,162)	(59,577)
Total comprehensive income for the year	\$ 310,066	\$ 3,622
Comprehensive income attributable to non-controlling interest	\$ 187,915	\$ 38,806
Dividends paid to non-controlling interest	\$ 25,431	\$ 33,161

Information Technology Total Services Co., Ltd. and subsidiaries		
	For the year ended December 31, 2021	For the year ended December 31, 2020
Revenue	\$ 1,325,626	\$ 1,230,637
Profit before income tax	86,640	75,056
Income tax expense	(14,159)	(9,276)
Profit for the year	72,481	65,780
Other comprehensive loss (net of tax)	(1,160)	(1,597)
Total comprehensive income for the year	\$ 71,321	\$ 64,183
Comprehensive income attributable to non-controlling interest	\$ 36,957	\$ 33,540
Dividends paid to non-controlling interest	\$ 27,864	\$ 27,864
<u>Statements of cash flows</u>		
Tecom Co., Ltd. and subsidiaries		
	For the year ended December 31, 2021	For the year ended December 31, 2020
Net cash (used in) provided by operating activities	(\$ 9,891)	\$ 44,277
Net cash provided by investing activities	26,614	879
Net cash provided by (used in) financing activities	71,155	(141,139)
Increase (decrease) in cash and cash equivalents	87,878	(95,983)
Cash and cash equivalents, beginning of year	95,778	191,761
Cash and cash equivalents, end of year	\$ 183,656	\$ 95,778

Taiwan Pelican Express Co., Ltd. and subsidiaries		
	For the year ended December 31, 2021	For the year ended December 31, 2020
Net cash provided by operating activities	\$ 463,915	\$ 475,662
Net cash used in investing activities	(120,545)	(371,577)
Net cash used in financing activities	(337,722)	(261,031)
Effect of exchange rates on cash and cash equivalents	389	(576)
Increase (decrease) in cash and cash equivalents	6,037	(157,522)
Cash and cash equivalents, beginning of year	899,305	1,056,827
Cash and cash equivalents, end of year	\$ 905,342	\$ 899,305
Century Development Corporation and subsidiaries		
	For the year ended December 31, 2021	For the year ended December 31, 2020
Net cash provided by operating activities	\$ 453,635	\$ 698,625
Net cash provided by (used in) investing activities	324,295	(1,887,212)
Net cash (used in) provided by financing activities	(393,025)	868,090
Effect of exchange rates on cash and cash equivalents	(2,196)	(3,991)
Increase (decrease) in cash and cash equivalents	382,709	(324,488)
Cash and cash equivalents, beginning of year	230,836	555,324
Cash and cash equivalents, end of year	\$ 613,545	\$ 230,836

	Information Technology Total Services Co., Ltd. and subsidiaries	
	For the year ended December 31, 2021	For the year ended December 31, 2020
Net cash provided by operating activities	\$ 156,226	\$ 244,830
Net cash (used in) provided by investing activities	(37,703)	24,459
Net cash used in financing activities	(63,758)	(254,067)
Effect of exchange rates on cash and cash equivalents	(359)	178
Increase in cash and cash equivalents	54,406	15,400
Cash and cash equivalents, beginning of year	85,874	70,474
Cash and cash equivalents, end of year	\$ 140,280	\$ 85,874

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	Jinglaoman Food & Beverage Co., Ltd. (Jinglaoman)	Associates
Teco (PHILIPPINES) 3C & Appliances, Inc. (Teco 3C)	"	Teco Group Science Technology (Han Zou) Co., Ltd. (Teco Group)	"
Taian-Jaya Electric Sdn. Bhd. (Taian-Jaya)	"	Shanghai Tungpei Enterprise Co., Ltd. (Shanghai Tungpei)	"
Hubbell-Taian Co., Ltd. (Hubbell) (Note 1)	"	Greyback International Property, Inc. (Greyback)	"
An-Sheng Travel Co., Ltd. (An-Sheng)	"	ABC Cooking Studio Taiwan Co., Ltd. (ABC Cooking)	"
Royal Park Corp. Ltd. Co. (Royal Park)	"	Qingdao Teco Century Advanced HighTech Mechatronics Co., Ltd. (Teco Century)	"
Lien Chang Electronic Enterprise Co., Ltd. (Lien Chang)	"	Teco EV Philippines Corporation (Teco EV)	"
Tung Pei Industrial Co., Ltd. (Tung Pei)	"	Fujio Food System Taiwan Co., Ltd. (Fujio Food)	"
Taian Electric Co., Ltd. (Taian Electric)	"	Foremost International Food & Beverage Co., Ltd. (Foremost Food)	"
Royal Host Taiwan Co., Ltd. (Royal Host)	"	An-shin Food Service Co., Ltd. (An-shin)	Other related parties
Taisan Electric Co., Ltd. (Taisan Electric)	"	Teco Image System Co., Ltd. (Teco Image)	"
Tension Envelope Taiwan Co., Ltd. (Tension)	"	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)	"
Shanghai Xiangseng Mechanical and Electrical Trading Co., Ltd. (Shanghai Xiangseng)	"	YUBAN & COMPANY (YUBAN)	"
Hunan TECO Wind Energy Limited (Hunan TECO) (Note 2)	"	An-Hui Information Technology., Ltd. (An-Hui Technology)	"
ZEPT Inc. (ZEPT)	"	Kuen Ling Co., Ltd. (Kuen Ling)	Note 3
Teco Technology & Marketing Center Co., Ltd. (TTMC)	"		

Note 1: The investee was dissolved on April 14, 2020.

Note 2: The investee has been liquidated in 2020.

Note 3: The investee was no longer the related party of the Group after the re-election of directors during the shareholders' meeting in 2021.

(2) Significant related party transactions

A. Operating revenue:

	For the year ended December 31, 2021	For the year ended December 31, 2020
Sales of goods and services:		
Associates	\$ 461,920	\$ 408,599
Other related parties	310,155	331,969
	<u>\$ 772,075</u>	<u>\$ 740,568</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, 2021	For the year ended December 31, 2020
Purchases of goods:		
Associates	\$ 356,123	\$ 277,759
Other related parties	40,722	25,098
	<u>\$ 396,845</u>	<u>\$ 302,857</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, 2021	December 31, 2020
Receivables from related parties:		
Associates	\$ 197,304	\$ 192,528
Other related parties	81,770	55,675
	<u>279,074</u>	<u>248,203</u>
Other receivables - others		
Associates		
TTMC	36,869	50,924
Royal Park	4,074	15,413
Others	70,293	3,061
Other related parties	7,325	3,062
	<u>118,561</u>	<u>72,460</u>
	<u>\$ 397,635</u>	<u>\$ 320,663</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 other receivables arise mainly from other receivables for rental and dividends.

D. Payables to related parties:

	December 31, 2021	December 31, 2020
Payables to related parties:		
Associates	\$ 84,465	\$ 163,755
Other related parties	688	4,348
	<u>\$ 85,153</u>	<u>\$ 168,103</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. Rent income

	For the year ended December 31, 2021	For the year ended December 31, 2020
Associates	\$ 20,603	\$ 20,798
Other related parties	27,112	25,930
	<u>\$ 47,715</u>	<u>\$ 46,728</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.

F. Endorsements and guarantees provided to related parties:

	December 31, 2021	December 31, 2020
Associates	\$ -	\$ 175

G. Others

On April 12, 2021, the Board of Directors of the Company resolved to participate in the capital increase of ZEPT Inc. to acquire 7,805,555 shares, equivalent to 25% of total equity interest, and the total investment amounted to \$58,542.

(3) Key management compensation

	For the year ended December 31, 2021	For the year ended December 31, 2020
Salaries and other short-term employee benefits	\$ 450,786	\$ 499,112
Post-employment benefits	9,333	9,284
	<u>\$ 460,119</u>	<u>\$ 508,396</u>

8. Pledged Assets

Pledged asset	December 31, 2021	December 31, 2020	Purpose
Notes receivable	\$ 64,257	\$ 80,554	Short-term borrowings and deposits for acceptance bill
Other current assets			
Demand deposits	474,942	251,525	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, seizure guarantee, deposits for the exemption from provisional execution and guarantee, deposits for the exemption from provisional execution
Demand deposits	710,447	905,290	Earmarked construction projects
Time deposits	225,764	234,505	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			
Taiwan High Speed Rail Corporation	399,600	427,950	Long-term borrowings
Non-current financial assets at amortised cost	160,000	160,000	Litigation guarantee
Property, plant, and equipment			
Land	98,025	101,247	Long-term borrowings, short-term borrowings
Buildings and structures	10,698	3,078,259	"
Machinery and equipment	149,575	158,400	"
Right-of-use assets	775,311	3,032,127	"
Other non-current assets			
Refundable deposits	91,810	87,451	Exercise guarantee or warranty for construction and exercise guarantee for tender
Time deposits	361,224	169,411	Restricted by the legislation on repatriating offshore funds
	<u>\$ 3,521,653</u>	<u>\$ 8,686,719</u>	

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Contingencies

- A. 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 (CEPP) for suspending the project due to the Ministry of the Interior's tentative postponement of New eID project. The Company is currently discussing with relevant authorities about settlement for those purchased equipment, material and the receivables and with the CEPP about equipment mothballing or maintenance projects.
- B. On April 21, 2021, the Company received a civil judgment from the Taiwan Taipei District Court concerning a claim filed by Fu Chang Engineering Co., Ltd. (Fu Chang), which is a subcontractor that undertook the electrical system and air-conditioning electric system for the Company's project 'Mechanical and Electrical Engineering of Songshan Cultural and Creative Park BOT Project' for a total of \$63,525, to request the Company to pay an additional payment amounting to \$68,495 for additional construction works. The Court entered a judgment that the Company shall make a payment in the amount of \$56,846 to Fu Chang. The Company has accrued and recognised an amount for potential payments and filed an appeal with the second instance court.

(2) Commitments

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

	December 31, 2021	December 31, 2020
Property, plant and equipment	\$ 2,605,204	\$ 3,308,110
Intangible assets	8,996	1,521
	<u>\$ 2,614,200</u>	<u>\$ 3,309,631</u>

- B. As of December 31, 2021, the outstanding usance L/C used for acquiring raw materials and equipment was \$ 92,967.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	December 31, 2021	December 31, 2020
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 6,850,607	\$ 3,574,457
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 46,224,848	\$ 19,848,014
Financial assets at amortised cost /Loans and receivables		
Cash and cash equivalents	\$ 17,274,143	\$ 20,397,260
Financial assets at amortised cost	392,232	481,530
Notes receivable	1,001,157	1,184,902
Accounts receivable	10,201,498	9,103,336
Other receivables	538,674	354,645
Guarantee deposits paid and restricted bank deposits	2,015,991	1,796,782
	<u>\$ 31,423,695</u>	<u>\$ 33,318,455</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 2,042,697	\$ 2,816,832
Notes payable	1,027,193	395,720
Accounts payable	9,347,227	7,622,923
Other payables	5,544,765	4,902,975
Lease liabilities	5,062,094	4,886,773
Bonds payable (including current portion)	6,000,000	6,000,000
Long-term borrowings (including current portion)	4,095,256	3,611,731
	<u>\$ 33,119,232</u>	<u>\$ 30,236,954</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in 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, 2021

Sensitivity Analysis									
Foreign currency amount (In thousands)		Exchange rate		Book value (NTD)		Degree of variation	Effect on profit or loss		Effect on other comprehensive income
(Foreign currency: functional currency)									
Financial assets									
Monetary items									
USD:NTD	USD	\$	88,960	27.6800	\$	2,462,413	1%	\$ 24,624	-
EUR:NTD	EUR		4,445	31.3200		139,217	1%	1,392	-
USD:RMB	USD		48,688	6.3720		1,347,684	1%	13,477	-
RMB:NTD	RMB		46,847	4.3440		203,503	1%	2,035	-
AUD:NTD	AUD		6,131	20.0800		123,110	1%	1,231	-
USD:SGD	USD		8,094	1.3529		224,042	1%	2,240	-
USD:EUR	USD		7,628	0.8838		211,143	1%	2,111	-
USD:MYR	USD		7,584	4.1772		209,925	1%	2,099	-
EUR:USD	EUR		13,191	1.1315		413,142	1%	4,131	-
Non-monetary items									
USD:NTD	USD		716,239	27.6800		19,825,490			
EUR:NTD	EUR		136,688	31.3200		4,281,054			
SGD:NTD	SGD		161,517	20.4600		3,304,645			
VND:NTD	VND		268,912,500	0.0012		322,695			
MYR:NTD	MYR		7,551	6.6265		50,035			
Financial liabilities									
Monetary items									
USD:NTD	USD		72,263	27.6800		2,000,240	1%	20,002	-
USD: VND	USD		5,227	23,066.6667		144,683	1%	1,447	-
USD:MYR	USD		11,613	4.1772		321,448	1%	3,214	-

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- 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, 2021 and 2020 amounted to \$62,535 and \$80,595, respectively.

Price risk

- i. The Group's financial instruments, which are exposed to price risk, are those characterized as 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 such investments the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with 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, 2021 and 2020 would have increased/decreased by \$174,195 and \$123,311, 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 \$ 2,298,324 and \$980,736, 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020 would have been \$12,276 and \$12,857 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, 2021 and 2020, the loss rate methodology is as follows:

December 31, 2021			
	Expected credit loss rate	Total book value	Loss allowance
Not past due	0%~1%	\$ 9,190,412	(\$ 10,459)
Up to 30 days	0%~2%	823,414	(967)
31 to 90 days	1%~20%	453,634	(14,553)
91 to 180 days	1%~100%	191,169	(23,076)
Over 180 days	1%~100%	433,279	(119,272)
		<u>\$ 11,091,908</u>	<u>(\$ 168,327)</u>
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, 2021			
	Expected credit loss rate	Total book value	Loss allowance
Individual	100%	\$ 29,379	(\$ 29,379)
Group A	0%~5%	6,611,371	(8,418)
Group B	0%~10%	1,729,745	(5,829)
Group C	1%~20%	1,404,993	(15,949)
Group D	1%~40%	355,691	(10,446)
Group E	1%~100%	960,729	(98,306)
		<u>\$ 11,091,908</u>	<u>(\$ 168,327)</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>

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

2021	
	Notes receivable and accounts receivable
At January 1	\$ 179,129
Provision for impairment	4,201
Write-offs during the year	(9,610)
Effect of foreign exchange	(5,393)
At December 31	<u>\$ 168,327</u>
2020	
	Notes receivable and accounts receivable
At January 1	\$ 166,426
Provision for impairment	26,138
Write-offs during the year	(15,887)
Effect of foreign exchange	2,452
At December 31	<u>\$ 179,129</u>

As of December 31, 2021 and 2020, the Group arose impairment losses from other receivables at amortised cost were \$1,650 and \$15,029, respectively.

(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, 2021 and 2020, the undrawn credit amounts are \$20,044,060 and \$22,248,893, 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, 2021	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	\$ 2,042,697	\$ -	-	\$ -	-
Notes payable	1,027,193	-	-	-	-
Accounts payable	9,347,227	-	-	-	-
Lease liabilities	515,727	479,294	337,604	555,283	4,423,595
Other payables	5,544,765	-	-	-	-
Bonds payable (including current portion)	1,000,000	-	-	5,000,000	-
Long-term borrowings (including current portion)	2,499,548	322,976	465,075	768,417	67,834

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

iv. As of December 31, 2021 and 2020, 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 follow:

<u>December 31, 2021</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	\$ 3,483,909	\$ -	\$ 3,362,652	\$ 6,846,561
Non-hedging derivatives	-	4,046	-	4,046
Financial assets at fair value through other comprehensive income				
Equity securities	45,966,478	-	258,370	46,224,848
	<u>\$ 49,450,387</u>	<u>\$ 4,046</u>	<u>\$ 3,621,022</u>	<u>\$ 53,075,455</u>
<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>

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

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

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

E. For the years ended December 31, 2021 and 2020, 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, 2021 and 2020:

	Non-derivative equity	
	For the year ended December 31, 2021	For the year ended December 31, 2020
Beginning balance	\$ 1,331,806	\$ 1,247,785
Gains and losses recognized in profit or loss	58,583	128,918
Gain and loss recognized in other comprehensive income	23,450 (	16,568)
Acquired during the year	2,293,441	-
Sold during the year	(84,421)	(21,509)
Capital deducted by returning cash	(1,837)	(6,820)
Ending balance	\$ 3,621,022	\$ 1,331,806

- 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, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	\$ 3,621,022	Market comparable companies	Price to earnings ratio multiple	1.98~2.47	The higher the multiple, the higher the fair value
Private equity fund			Discount for lack of marketability	15%	The higher the discount for lack of marketability, the lower the fair value
	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

- 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, 2021						
Input	Change	Recognized in profit or loss		Recognized in other comprehensive income		
		Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets Equity instrument	Discount for lack of marketability	±5%	\$ 168,133	(\$ 168,133)	\$ 12,919	(\$ 12,919)

December 31, 2020					
			Recognized in profit or loss		Recognized in other comprehensive income
			Favourable change	Unfavourable change	Favourable change Unfavourable change
Financial assets	Input	Change			
Equity instrument	Discount for lack of marketability	±5%	\$ 54,926	(\$ 54,926)	\$ 11,664 (\$ 11,664)

(4) Other matter

The Group operates internationally. Due to the COVID-19 outbreak in the first quarter of 2020, some operating sites suspended its operations or reduced operating days to cooperate with the anti-epidemic policy of the local governments. However, some operating sites have been resuming its production starting from the second quarter of 2020. As of the third quarter of 2021, the pandemic has varying extent of impact on each operating site. Some of the Group's operating sites in countries such as Taiwan, Vietnam and India, are still experiencing the second and third wave of the pandemic. The Group has initiated the relevant countermeasures to cooperate with the preventive measures of the respective local governments to ensure that orders, production and deliveries at each sales and production site are operating normally. Those measures include taking temperature everyday, wearing face masks, having employees vaccinated, separating office and working area using transparent plastic curtains, restricting unnecessary cross-area movement and suspending business trips and visitors.

The Group takes into account the impact of the pandemic on the Group's operations in the impairment assessment. In 2020, due to a decline in customer orders or postponement of deliveries caused by the pandemic, some subsidiaries' profitability did not meet the expectations. As a result, the Group assessed that there was an indication of impairment on investments in those subsidiaries and thus recognised an impairment loss amounting to \$77,950. In the 2021, the operating revenue increased by 14.69% year over year after each operating site of the Group adopted various preventive measures to maintain its normal operations, and the post-tax profit increased by 44.35% year over year as the price of reinvestments in the domestic securities markets steadily increased and dividends received were significantly higher. The Group's operations did not decline because of another outbreak of the pandemic, and thus it did not recognise further impairment loss. However, recent changes in the general economic environment and expectations are considered in the impairment assessment. The impact of interest rate hikes is taken into account, and the result of adjusting the discount rate is recognized as an impairment loss amount \$367,190.

In addition, the Group has sufficient working capital. As of December 31, 2021, the balance of cash and cash equivalents amounted to \$17,274,143, and the operating activities still generated net cash in-flow. The current ratio reached to 213.81%. Moreover, the Group had undrawn borrowing facilities amounting to \$20,044,060, which was sufficient to repay due liabilities. It shows that the pandemic had no significant impact on the Group's ability to continue as a going concern and financing risks.

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 periods (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) and (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

Information provided to chief operating decision-maker for allocating resources and assessing segment's performance focus on the category of each delivery or provision of products or services. The Group's reportable operating segments are as follows:

- A. Green Mechatronic Solution Business Group (GM): This Group is primary engaged in manufacture and sales of various motors and generators.
- B. Intelligence Energy Business Group (IE): This Group is primary engaged in research, design, manufacture and sales of electrical equipment and contracting construction of transportation and electricity.
- C. Air and Intelligent Life Business Group (AI): This Group is primary engaged in manufacture and sales of various home appliances and providing data processing, electronic information and logistics services.
- D. Others Group: This Group is primary engaged investment in various businesses and leasing and development of real estate.

The Group adjusted the structure of operating segment. The Group reorganised heavy industrial products group, home appliances group and others group into GM, IE, AI and Others group in 2021, and remeasured segment information for the year ended December 31, 2020 accordingly.

(2) Measurement of segment information

The Group's segment profit (loss) is measured with the operating profit (loss) before tax, which is used as a basis for the Group in assessing the performance of the operating segments. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4.

(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, 2021 and 2020 is as follows:

For the year ended December 31, 2021						
	Green mechatronic solution business Group	Intelligence energy business Group	Air and intelligent life business Group	Others	Adjustment and elimination	Total
<u>Operating revenues</u>						
Operating revenues from external customers	\$ 26,864,667	\$ 7,051,706	\$ 13,982,013	\$ 4,658,641	\$ -	\$ 52,557,027
Operating revenues from internal segments	18,808,892	817,263	5,067,027	440,419	(25,133,601)	-
Total operating revenues	<u>\$ 45,673,559</u>	<u>\$ 7,868,969</u>	<u>\$ 19,049,040</u>	<u>\$ 5,099,060</u>	<u>\$ 25,133,601</u>	<u>\$ 52,557,027</u>
Segment profits and losses	<u>\$ 2,570,092</u>	<u>\$ 424,782</u>	<u>\$ 510,800</u>	<u>\$ 1,563,684</u>	<u>\$ -</u>	<u>\$ 5,069,358</u>
	For the year ended December 31, 2020					
	Green mechatronic solution business Group	Intelligence energy business Group	Air and intelligent life business Group	Others	Adjustment and elimination	Total
<u>Operating revenues</u>						
Operating revenues from external customers	\$ 23,671,949	\$ 5,906,947	\$ 12,343,270	\$ 3,901,264	\$ -	\$ 45,823,430
Operating revenues from internal segments	14,931,483	393,186	3,694,296	7,565	(19,026,530)	-
Total operating revenues	<u>\$ 38,603,432</u>	<u>\$ 6,300,133</u>	<u>\$ 16,037,566</u>	<u>\$ 3,908,829</u>	<u>\$ 19,026,530</u>	<u>\$ 45,823,430</u>
Segment profits and losses	<u>\$ 2,834,659</u>	<u>\$ 287,719</u>	<u>\$ 201,017</u>	<u>\$ 210,662</u>	<u>\$ -</u>	<u>\$ 3,534,057</u>

(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, 2021 and 2020 is provided as follows:

	For the year ended December 31, 2021	For the year ended December 31, 2020
Adjusted operating income of reportable segments	\$ 3,505,674	\$ 3,323,395
Adjusted operating income of other operating segments	1,563,684	210,662
Interest income	127,351	194,926
Gains on financial instruments	332,559	420,731
Financial cost	(203,602)	(241,495)
Associates' and joint ventures' profit and loss accounted for under the equity method	195,831	(14,613)
Losses on disposals of property, plant and equipment	(2,387)	(38,447)
Impairment loss	(367,190)	(77,950)
Others	999,958	622,539
Income before income tax	\$ 6,151,878	\$ 4,399,748

(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, 2021	For the year ended December 31, 2020
Sales revenue	\$ 35,807,100	\$ 32,316,115
Construction revenues	5,990,814	4,412,276
Service revenue	8,642,445	7,762,790
Others	2,116,668	1,332,249
	\$ 52,557,027	\$ 45,823,430

(6) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows (revenue recognition is based on the operating locations where revenue is earned):

	For the year ended December 31, 2021		For the year ended December 31, 2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 30,200,250	\$ 21,494,044	\$ 25,723,694	\$ 20,063,480
America	6,123,499	621,156	6,626,221	588,191
China	6,917,786	3,213,551	5,221,397	3,035,018
Others	9,315,492	1,718,181	8,252,118	2,557,966
	\$ 52,557,027	\$ 27,046,932	\$ 45,823,430	\$ 26,244,655

(7) Major customer information

No single customer accounts for more than 10% of the consolidated operating revenue for the years ended December 31, 2021 and 2020.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended December 31, 2021	Balance at December 31, 2021 (Note 8)	Actual amount drawn down	Interest rate (%)	Nature of loans	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	TECO ELECTRIC & MACHINERY CO., LTD.	Xiamen An-Tai	Other receivables	Yes	\$ 57,070	\$ 27,680	\$ -	1.48%	Short-term financing	\$ -	For operating capital	\$ -	-	\$ -	2,676,413	\$ 8,921,377	Note 2
0	TECO ELECTRIC & MACHINERY CO., LTD.	QingDao Teco	"	"	130,950	78,192	-	3.30%	Short-term financing	-	For operating capital	-	-	-	2,676,413	8,921,377	Note 2
1	U.V.G.	Teco Netherlands	"	"	245,140	219,240	219,240	-	Short-term financing	-	For operating capital	-	-	-	476,139	793,564	Note 3
2	Teco Westinghouse	TWMM	"	"	62,777	60,896	-	1.55%	Short-term financing	-	For operating capital	-	-	-	610,534	1,221,067	Note 4
3	Great Teco Motor (PTE) Ltd.	Teco Netherlands	"	"	241,638	187,920	187,920	1.00%	Short-term financing	-	For operating capital	-	-	-	269,700	449,500	Note 5
4	Wuxi TECO Precision Industry Co. Ltd.	QingDao Teco	"	"	78,210	78,192	-	3.85%	Short-term financing	-	For operating capital	-	-	-	81,821	81,821	Note 6
5	Motovario Corp.	Motovario S.P.A.	"	"	111,840	110,720	110,720	1.00%	Short-term financing	-	For operating capital	-	-	-	147,729	196,972	Note 7

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

(1)The Company is '0'.

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

Note 2: In accordance with the company's policy, limit on total loans shall not exceed 10% of the Company's net assets based on the latest financial statements (December 31, 2021), 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, 2021).

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, 2021), 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, 2021).

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, 2021), 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, 2021).



Note 5: 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, 2021), 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, 2021).

Note 6: In accordance with Wuxi TECO Precision Industry Co. Ltd.'s policy, limit on total loans shall not exceed 20% of Wuxi TECO Precision Industry Co. Ltd.'s net assets based on the latest financial statements (December 31, 2021), and limit on loans to a single party shall not exceed 10% of Wuxi TECO Precision Industry Co. Ltd.'s net assets based on the latest financial statements (December 31, 2021).

Note 7: In accordance with Motovario Corp.'s policy, limit on total loans shall not exceed 40% of Motovario Corp.'s net assets based on the latest audited financial statement (December 31, 2021), and limit on loans to a single party shall not exceed 30% of Motovario Corp.'s net assets based on the latest audited financial statement (December 31, 2021).

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
Provision of endorsements and guarantees to others
For the year ended December 31, 2021

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2021	Outstanding endorsement/ guarantee amount at December 31, 2021	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
			(4)	(5)											
0	TECO ELECTRIC & MACHINERY CO., LTD.	Sunkyo Co., Ltd	(4)		\$ 17,842,753	\$ 145,601	\$ 135,883	\$ 105,820	\$ -	0.15	\$ 53,528,259	Y	N	N	Note 3
0	"	Tesco International	(4)		17,842,753	100,000	100,000	-	-	0.11	53,528,259	Y	N	N	"
0	"	An-Tai International	(4)		17,842,753	110,000	110,000	-	-	0.12	53,528,259	Y	N	N	"
0	"	Motovario	(4)		17,842,753	1,610,920	1,354,590	1,268,460	-	1.52	53,528,259	Y	N	N	"
0	"	QingDao Tesco	(2)		17,842,753	216,448	-	-	-	-	53,528,259	Y	N	Y	"
1	Tesco Westinghouse	TWMM	(4)		610,534	57,070	55,360	37,908	-	0.91	1,221,067	Y	N	N	Note 4
2	Motovario S.P.A.	TECNOFIB SRL	(1)		846,586	175	-	-	-	-	2,539,758	N	N	N	Note 5
3	Teco Australia Pty. Ltd.	TECO New Zealand Pty Ltd.	(4)		168,327	14,212	14,212	14,212	-	0.84	336,654	Y	N	N	Note 6
4	Century Development	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)		439,473	211,291	178,675	59,558	-	4.07	878,946	Y	N	N	Note 7
5	Tong-An Assets	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)		529,199	140,105	134,006	44,669	-	2.53	1,058,399	N	N	N	Note 8
6	Tong-An Investment Co., Ltd.	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)		150,934	140,105	134,006	44,669	-	0.37	200,000	N	N	N	Note 9

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

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

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

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent 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, 2021), 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. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 5: In accordance with Motovario S.p.A.'s policy, the total guarantee amount shall not exceed 60% of Motovario S.p.A.'s net assets based on the latest financial statements (December 31, 2021), and the guarantee to a single party shall not exceed 20% of Motovario S.p.A.'s net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 6: In accordance with the TECO AUSTRALIA Pty Ltd.'s policy, the total guarantee amount shall not exceed 20% of TECO AUSTRALIA Pty Ltd.'s net assets based on the latest financial statements (December 31, 2021), and the guarantee to a single party shall not exceed 10% of TECO AUSTRALIA Pty Ltd.'s net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 7: In accordance with Century Development's policy, the total guarantee amount shall not exceed 20% of Century Development's net assets based on the latest financial statements (December 31, 2021), and the guarantee to a single party shall not exceed 10% of Century Development's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 8: In accordance with Tong-An Asset's policy, the total guarantee amount shall not exceed 20% of Tong-An Asset's net assets based on the latest financial statements (December 31, 2021), and the guarantee to a single party shall not exceed 10% of Tong-An Asset's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

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

December 31, 2021

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	Number of shares	Book value	Ownership (%)	Fair value	Footnote
	Stock 1	The Company is a director of the investee	Note 1	11,132	\$ 305,007	14.62	\$ 305,007	
	Stock 2	"	"	2,137	53,747	1.43	53,747	
	Stock 3	None	"	205,333	5,441,316	5.98	5,441,316	
	Stock 4	The Company is a director of the investee	"	190,061	5,625,793	3.38	5,625,793	
	Stock 5	None	"	9,610	188,359	0.09	188,359	
	Stock 6	The Company is a director of the investee	"	5,098	140,964	13.42	140,964	
	Stock 7, etc.	None	"	17,205	4,216	-	4,216	
	Stock 8	"	Note 4	3,200	208,021	0.03	208,021	
	Stock 9	The Company is a director of the investee	"	11,527	436,890	1.96	436,890	
	Stock 10	None	"	47,839	382,711	1.58	382,711	
	Stock 11	"	"	201	1,654	-	1,654	
	Stock 12	The Company is a director of the investee	"	32,980	332,740	10.99	332,740	
	Stock 13	None	"	7,500	462,674	5.00	462,674	
	Stock 14, etc.	"	"	22,578	306,265	-	306,265	
	Fund 1	"	"	-	81,339	-	81,339	
	Fund 2	"	"	-	110,156	-	110,156	
Teco International	Stock 2	The Company is a director of the investee	Note 1	5,309	133,533	3.56	133,533	
	Stock 15	None	"	720	98,345	0.50	98,345	
	Stock 16	The Company is a director of the investee	"	220	357,013	0.12	357,013	
	Stock 17	None	"	3,177	143,776	0.67	143,776	
	Stock 18, etc.	The Company is a director of the investee	"	9,398	219,147	-	219,147	
Tong-An Investment	Stock 19, etc.	None	Note 3	2,588	204,275	-	204,275	
	Stock 2	The Company is a director of the investee	Note 1	7,913	199,020	5.31	199,020	
	Stock 15	None	"	1,225	167,189	0.85	167,189	
	Stock 20	An investee company accounted for under the equity method by the Company	"	19,540	618,443	0.91	618,443	
	Stock 18	Related party in substance	"	8,197	139,341	7.28	139,341	
	Stock 21	None	"	8,692	561,500	0.27	561,500	
	Stock 22	"	"	1,285	128,500	0.04	128,500	
	Stock 16	The Company is a director of the investee	"	18,265	29,680,625	10.03	29,680,625	
	Stock 23	None	"	800	239,200	0.38	239,200	
	Stock 24, etc.	"	"	27,856	499,611	-	499,611	
	Stock 19	"	Note 3	1,076	116,746	0.67	116,746	
	Stock 25, etc.	"	"	7,831	564,035	-	564,035	
	Stock 16	The Company is a director of the investee	Note 4	909	1,477,125	-	1,477,125	
	Fund 3	None	"	50,000	714,000	-	714,000	
	Fund 4	"	"	715	24,800	-	24,800	

As of December 31, 2021								
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
U.V.G	Stock 26	None	Note 1	118	\$ 7,181	-	\$ 7,181	
An-Tai International	Stock 2	The Company is a director of the investee	"	653	16,423	0.44	16,423	
	Stock 20	An investee company accounted for under the equity method by the Company	"	2,826	89,435	0.13	89,435	
	Stock 18	Related party in substance	"	1,270	21,592	1.13	21,592	
	Stock 27	"	"	2,756	188,764	8.51	188,764	
	Stock 28	None	"	195	11,252	0.14	11,252	
Jie-Zheng Property	Stock 19, etc.	"	Note 3	1,348	131,521	-	131,521	
Information Technology	Fund 5	"	Note 2	-	17,967	-	17,967	
Technology Total	Stock 29, etc.	"	Note 1	3,269	29,324	-	29,324	
Service								
Teco Singapore	Stock 16, etc.	Related party in substance	"	304	493,608	-	493,608	
Taiwan Pelican Express	Stock 20	An investee company accounted for under the equity method by the Company	"	7,070	223,765	0.33	223,765	
	Stock 16	None	"	597	969,638	0.32	969,638	
Teco Australia	Stock 16	"	"	300	486,720	0.16	486,720	
Sankyo	Stock 30	"	"	68	7,016	-	7,016	
Tecom and its subsidiaries	Stock 5	"	"	2,175	42,635	0.02	42,635	
	Stock 4	The Company is a corporate director of the investee	"	16,222	480,174	0.29	480,174	
	Stock 7, etc.	None	"	1,202	767	-	767	
	Stock 31	"	Note 3	3,354	47,792	1.77	47,792	
	Fund 6, etc.	"	Note 2	6,784	73,635	-	73,635	
Tong Dai	Stock 20	An investee company accounted for under the equity method by the Company	Note 3	77	2,444	-	2,444	
	Stock 32, etc.	None	"	3	86	-	86	
Teco Holdings	Fund 7	"	Note 2	-	2,216,584	-	2,216,584	

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, 2021

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Relationship with the investor (Note 4)	Balance as at January 1, 2021			Addition			Disposal			Balance as at December 31 2021		
				Number of shares / units	Amount	Number of shares / units	Amount (Note 2)	Number of shares / units	Selling price	Book value	Gain (loss) on disposal	Number of shares / units	Amount (Note 5)		
TECO ELECTRIC & MACHINERY CO., LTD.	Kuen Ling Machinery Refrigerating Co., Ltd.	Note 1	Not applicable	-	\$ -	11,132	\$ 326,714	-	\$ -	\$ -	\$ -	-	11,132	\$ 305,007	
	Walsin Lihwa Corporation	"	"	-	-	205,333	3,808,921	-	-	-	-	-	205,333	5,441,316	
Teco Australia Pty. Ltd.	MOMO.COM INC	"	"	460	298,075	70 (Note 6)	-	230	306,300	33,878	272,422	272,422	230	486,720	
Tong-An Investment Co., Ltd.	MOMO.COM INC.	Note 2	"	1,000	637,000	210 (Note 6)	-	301	332,122	6,458	325,664	325,664	909	1,477,125	
Teco Holding	OASIS USD Term Liquidity Fund	Note 3	"	-	-	-	2,228,000	-	-	-	-	-	-	2,216,584	

Note 1: The general ledger account is 'Non-current financial assets at fair value through other comprehensive income'.

Note 2: The general ledger account is 'Non-current financial assets at fair value through profit or loss'.

Note 3: The general ledger account is 'Current financial assets at fair value through profit or loss'.

Note 4: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 5: The balance amount as at December 31, 2021 included unrealised gains or losses from financial assets.

Note 6: It was the stock dividends distributed by MOMO.COM INC. on July 5, 2021.

Expressed in thousands of NTD
(Except as otherwise indicated)

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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, 2021

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	\$		16%	30 days	Note	Note	(\$	28)	-
TECO ELECTRIC & MACHINERY CO., LTD.	Tesen	An investee accounted for under the equity method		3,075,655									
	Taian (Subic)	"	"	212,694	1%	"	"	"	(	133,229)	(2%)	
	Wuxi Teco	An indirect investee accounted for under the equity method	"	1,079,179	6%	"	"	"	(	665,284)	(12%)	
	TECO (VIETNAM)	"	"	786,899	4%	"	"	"	(	192,576)	(4%)	
	ELECTRIC & MACHINERY												
	Tai-An Wuxi	"	"	776,301	4%	"	"	"	(	231,423)	(4%)	
	QingDao Teco	"	"	412,507	2%	"	"	"	(	37,362)	(1%)	
	Genmao(Suzhou)	"	"	231,410	1%	"	"	"	(	32,037)	(1%)	
	Tong Dai	An investee accounted for under the equity method	Sales	(	1,751,274)	(8%)	90 days	"	"	512,486	11%	
	Teco Singapore	"	"	(	643,505)	(3%)	"	"	"	56,738	1%	
	E-Joy International Co., Ltd.	"	"	(	386,021)	(2%)	"	"	"	131,383	3%	
	Taisan	"	"	(	208,126)	(1%)	"	"	"	17,520	-	
	Teco Westinghouse	An indirect investee accounted for under the equity method	"	(	2,756,193)	(12%)	"	"	"	242,643	5%	
	Teco Australia	"	"	(	1,323,072)	(6%)	"	"	"	198,441	4%	
	Teco Westinghouse Canada	"	"	(	665,617)	(3%)	"	"	"	71,766	2%	
	Sankyo	"	"	(	300,384)	(1%)	"	"	"	91,913	2%	
	Top-Tower	"	"	(	246,873)	(1%)	"	"	"	77,503	2%	
	Motovario	"	"	(	204,609)	(1%)	"	"	"	57,934	1%	
	TECO MIDDLE EAST	"	"	(	175,103)	(1%)	"	"	"	120,526	3%	
Teco Netherlands	"	"	(	141,461)	(1%)	"	"	"	34,968	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, 2021

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	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	513,285	4.00	-	-	473,202	
"	Tesen	"	144,731	0.04	-	-	144,731	
"	E-Joy International	"	132,155	4.38	-	-	79,368	
"	Teco Westinghouse	An indirect investee accounted for under the equity method	274,425	11.83	1,536	In the process of collection	29,135	
"	Teco Australia	"	200,020	5.38	-	-	93,343	
"	THE MIDDLE EAST	"	120,526	2.14	-	-	30,524	
"	Century Biotech Development Corp.	"	115,807	-	-	-	115,807	
"	Motovario	"	110,187	1.83	-	-	26,566	
Wuxi Teco	TECO ELECTRIC & MACHINERY CO., LTD.	An investee accounted for under the equity method	665,284	2.06	-	-	207,982	
Tai-An Wuxi	"	"	231,423	4.58	-	-	204,693	
TECO (VIETNAM) ELECTRIC & MACHINERY	"	"	192,576	5.43	-	-	187,129	
Taian (Subic)	"	"	133,229	2.12	-	-	92,996	
U.V.G.	Teco Netherlands	"	219,240	-	-	-	-	
Great Teco Motor (PTE) Ltd.	"	Fellow subsidiary	187,920	-	-	-	-	
Motovario Corp.	Motovario	An investee accounted for under the equity method	110,720	-	-	-	-	Total amount was \$8,918

Table 7

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the year ended December 31, 2021

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	
			(1)	Notes receivable, accounts receivable and other receivables	\$	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 ELECTRIC & MACHINERY CO., LTD.	Tong Dai	"	Accounts receivable and other receivables	513,285	"	-
0	"	Teco Westinghouse	"		274,425	"	-
0	"	Teco Australia	"	"	200,020	"	-
0	"	E-Joy International	"	"	132,155	"	-
0	"	Motovario	"	"	110,187	"	-
0	"	Century Biotech Development Corp.	"	Notes receivable and accounts receivable	115,807	"	-
0	"	THE MIDDLE EAST	"	Accounts receivable	120,526	"	-
0	"	Tesen	"	Other receivables	144,731	"	-
1	Wuxi Teco	TECO ELECTRIC & MACHINERY CO., LTD.	(2)	Accounts receivable	665,284	"	-
2	Tai-An Wuxi	"	"	"	231,423	"	-
3	TECO (VIETNAM) ELECTRIC & MACHINERY	"	"	"	192,576	"	-
4	Taian (Subic)	"	"	"	133,229	"	-
5	U.V.G	Teco Netherlands	(3)	Other receivables	219,240	"	-
6	Great Teco Motor (PTE) Ltd.	"	"	"	187,920	"	-
7	Motovario Corp.	Motovario	"	"	110,720	"	-
0	TECO ELECTRIC & MACHINERY CO., LTD.	Teco Westinghouse	(1)	Sales	2,756,193	"	5%
0	"	Tong Dai	"	"	1,751,274	"	3%
0	"	Teco Australia	"	"	1,323,072	"	3%
0	"	Teco Westinghouse Canada	"	"	665,617	"	1%
0	"	Teco Singapore	"	"	643,505	"	1%
0	"	E-Joy International	"	"	386,021	"	1%
0	"	Sankyo	"	"	300,384	"	1%
0	"	Top-Tower	"	"	246,873	"	-

Table 8

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the year ended December 31, 2021

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	
0	TECO ELECTRIC & MACHINERY CO., LTD.	Motovario	(1)	Sales	\$ 204,609	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 Netherlands	"	"	141,461	"	-
8	Tesen	TECO ELECTRIC & MACHINERY CO., LTD.	(2)	"	3,075,655	"	6%
1	Wuxi Teco	"	"	"	1,079,179	"	2%
3	TECO (VIETNAM) ELECTRIC & MACHINERY	"	"	"	786,899	"	1%
2	Tai-An Wuxi	"	"	"	776,301	"	1%
9	QingDao Teco	"	"	"	412,507	"	1%
4	Taian (Subic)	"	"	"	212,694	"	-

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, 2021

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, 2021		Net profit (loss) of the investee for the year ended December 31, 2021		Investment income recognized by the Company for the year ended December 31, 2021		Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value				
TECO ELECTRIC & MACHINERY CO., LTD.	Tung Pei	Taiwan	Manufacturing of bearings	\$ 12,293	\$ 12,293	39,145,044	31.14%	\$ 2,313,312	\$ 816,173	\$ 253,922	None	
	Tecom	Taiwan	Manufacturing of key telephone system and nonkey service unit telephone system	431,109	431,109	60,090,307	63.52%	131,766	17,986	3,560	None	
	Teco International	Taiwan	Investment holdings, investments in securities and construction of commercial buildings	100,013	100,013	74,409,668	100%	1,811,724	53,970	54,747	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%	10,353,077	231,351	231,794	None	
	Teco Singapore and its subsidiaries	Singapore	Distribution of the Company's motor products in Singapore	112,985	112,985	7,200,000	90%	3,304,645	67,597	71,951	None	
	Tong-An Investment	Taiwan	Investment holdings	2,490,000	2,490,000	508,860,935	99.60%	35,432,266	1,544,371	1,515,812	None	
	Teco Electro	Taiwan	Manufacturing of Stepping motors	82,335	82,335	10,770,864	62.57%	224,503	61,024	37,129	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%	7,933,545	320,192	322,588	None	
	ITTS	Taiwan	E-business service, mailing and data management	116,346	116,346	11,467,248	41.97%	229,860	72,481	30,419	None	
	Tesen	Taiwan	Manufacturing and sales of home appliance	200,000	200,000	20,000,000	100%	210,739	5,425	9,915	None	
	Lien Chang	Taiwan	Manufacturing of color flybacks transformers, mono flyback transformers and mono deflection yokes	117,744	117,744	37,542,159	33.84%	498,574	114,731	38,830	None	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021		Net profit (loss) of the investee for the year ended December 31, 2021		Investment income recognized by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value	2021	2021	
TECO ELECTRIC & MACHINERY	Tong Dai	Taiwan	Distribution of the Company's motor products in Taichung	\$ 22,444	\$ 22,444	6,615,234	83.53%	\$ 394,168	\$ 104,422	\$ 87,196	Note
	Teco Vietnam	Vietnam	Manufacturing and sales of motors	425,799	382,286	-	-	322,695	(2,206)	682	None
	Yatec	Taiwan	Development and maintenance of various electric appliances	92,389	92,389	7,799,996	64.95%	149,757	29,204	18,959	None
	Tong-An Assets	Taiwan	Real estate business	2,111,889	2,111,889	395,415,338	100%	5,290,937	72,509	72,509	None
	Taian Subic	Philippines	Manufacturing and sales of switches	165,819	165,819	17,131,155	76.70%	181,832	16,593	12,206	None
Eagle Holding Co.	Micropac (BVI) and its subsidiaries	British Virgin Islands	Manufacturing and distribution of optical fiber apparatus and international trading	454,923	454,923	14,883,591	100%	1,215,005	65,880	62,901	None
	Century Development	Taiwan	Development and management of industrial park	951,141	951,141	100,592,884	28.67%	1,365,341	348,228	94,203	None
	An-Tai International	Taiwan	Investment holdings	150,000	150,000	34,850,007	100%	621,550	25,103	21,853	None
	Taiwan Pelican Express	Taiwan	Logistics and distribution services	255,116	255,116	24,121,700	25.27%	471,287	240,501	58,713	None
	Taian-Eiacom	Taiwan	Bus bar and manufacturing of its components	70,330	70,330	7,033,000	84.73%	146,252	34,210	28,988	None
TECO MOTOR B.V.	Eagle Holding Co.	Cayman Islands	Investment holdings	3,691,723	3,691,723	1	100%	4,281,054	291,581	291,581	None
	TECO MOTOR B.V.	Netherlands	Investment holdings	3,691,723	3,691,723	1	100%	4,281,054	291,581	291,581	None
Tung Pei	Motovario S.p.A	Italy	Production and sale of gear reducers and motors	3,989,850	3,989,850	18,010,000	100%	4,281,054	291,581	291,581	None
	Tung Pei (SAMOA) Industrial Co., Ltd.	Samoa	Investment holdings and establishment of overseas distribution channel	646,343	646,343	23,031,065	100%	1,898,965	246,776	246,776	None
Tecom	Baycom	Taiwan	Manufacturing and sales of optical telecom products	431,258	431,258	14,700,741	43.76%	196,161	22,608	9,893	None
	Creative Sensor Inc.	Taiwan	Manufacturing and sales of electronic components	-	87,464	-	-	-	-	2,337	None
Tong-An Investment	Century Development	Taiwan	Development and management of industrial park	420,646	420,646	46,235,042	13.18%	673,359	348,228	46,527	None
	Taiwan Pelican Express	Taiwan	Logistics and distribution services	54,874	54,874	6,474,468	6.78%	186,558	240,501	16,311	None
	Century Biotech Development Corp.	Taiwan	Development and construction of real estate	514,270	514,270	51,427,000	20.57%	503,966	(1,198)	247	None
	Century Real Estate (International) Pte. Ltd.	Singapore	Investing in other areas	274,856	274,856	9,120,000	30%	203,706	(15,972)	4,791	None

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021		Net profit (loss) of the investee for the year ended December 31, 2021		Investment income recognized by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value	December 31, 2021		
Lien Chang	Gen Mao International Corp.	Taiwan	Investment holdings	\$ 92,000	\$ 92,000	12,553,526	100%	\$ 147,890	\$ 15,255	\$ 15,255	None
	Gen Mao (Singapore)	Singapore	Investment holdings	582,246	582,246	27,502,354	85%	721,968	120,254	120,254	None
	Gen Mao (Singapore)	Singapore	Investment holdings	91,079	91,079	4,866,045	15.03%	127,697	120,254	16,789	None
Gen Mao International Corp.	Centurytech Construction and Management Corp.	Taiwan	Construction and sales of related raw materials	168,170	168,170	2,250,000	100%	(37,651)	2,667	3,907	None
	Jie-Zheng Property Service & Management Co., Ltd.	Taiwan	Building management servicing	13,750	13,750	1,512,500	50%	75,440	37,475	18,799	None
	United Development	Taiwan	Investment consultancy service for domestic and foreign industrial parks and land	25,536	25,536	5,016,880	52%	74,288	11,385	5,875	None
Teco Electro	Century Biotech Development Corp.	Taiwan	Development and construction of real estate	771,460	771,460	77,146,000	30.86%	756,043 (	1,198)	(370)	None
	Greyback International Property Inc.	Philippines	Housing project in Subic	9,912	9,912	144,600	30.11%	9,431 (	129)	(39)	None
	Century Real Estate (International) Pte. Ltd.	Singapore	Investing in other areas	365,820	365,820	12,160,000	40%	271,607 (	15,972)	(6,389)	None
Teco Singapore	Teco Electro Devices Co., Ltd.	British Virgin Islands	Trading and investment holdings	88,108	88,108	2,510,000	100%	218,208	59,864	62,248	None
	Century Development	Taiwan	Development and management of industrial park	179,222	179,222	21,264,873	6%	2,663	348,228	211	None
	Creative Sensor Inc.	Taiwan	Manufacturing and sales of electronic components	-	52,560	-	-	-	-	1,279	None
Tong-An Assets	CHING CHI INTERNATIONAL LIMITED	British Virgin Islands	Investing in other areas	201,467	201,467	6,200,000	83%	447,352 (	5,088)	(4,238)	None
	Century Development	Taiwan	Leasing of real estate	184,893	184,893	17,013,593	5%	213,078	348,228	17,121	None
	Century Biotech Development Corp.	Taiwan	Development and construction of real estate	514,270	514,270	51,427,000	20.57%	503,966 (	1,198)	(247)	None
Century Real Estate (International) Pte. Ltd.	Century Real Estate (International) Pte. Ltd.	Singapore	Investing in other areas	274,856	274,856	9,120,000	30%	203,706 (	15,972)	(4,791)	None

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2021

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from		Amount remitted from Taiwan to		Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) by the Company for the year ended December 31, 2021		Book value of investments in Mainland China as of December 31, 2021		Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
				\$	\$	\$	\$				\$	\$	\$	\$		
Teco (Dong Guang)	Manufacturing and sales of air conditioners mechanical equipment	\$ 268,799	Note 2	\$ 188,139	\$ -	\$ -	\$ -	\$ 188,139	\$ 990	100%	\$ 990	\$ 130,159	\$ -	-	Note 14	
Wuxi Teco	Manufacturing and sales of motors	1,697,276	Note 1	768,259	-	-	-	768,259	262,425	84.12%	220,752	1,715,782	216,386	Note 14		
Taian (Wuxi)	Manufacturing and sales of optical fiber	495,213	Note 10	205,551	-	-	-	205,551	87,602	100%	87,602	1,055,462	217,858	Note 14		
Nanchang Teco	Manufacturing and sales of home appliances	456,293	Note 3	456,293	-	-	-	456,293	1,503	100%	1,503	(25,961)	-	Note 14		
Jiangxi Teco	Manufacturing and sales of motors	1,481,569	Note 1	1,383,653	-	-	-	1,383,653	65,912	98.07%	64,640	1,507,787	72,823	Note 14		
Qingdao Teco	Manufacturing and sales of dyes	947,331	Note 1	1,648,510	-	-	-	1,648,510	148,996	87.60%	(130,521)	241,822	-	Note 14		
Xiamen An-Tai	Development, manufacturing and sales of LCD monitors.	678,681	Note 3	467,577	-	-	-	467,577	1,578	100%	1,578	273,447	-	Note 14		
Teco Han Zhou	Development and consulting of device products	9,837	Note 1	9,837	-	-	-	9,837	588	100%	(89)	21,618	11,937	Note 15		
Teco Century	Manufacturing and sales of compressor	680,938	Note 3	340,469	-	-	-	340,469	1,167	24%	239	27,791	-	Note 15		
Fujian Teco	Manufacturing and sales of electronic components	391,843	Note 1	391,843	-	-	-	391,843	6,265	100%	(6,265)	48,169	-	Note 15		
Shanghai Xingsheng	Distribution of air conditioner	24,004	Note 2	-	-	-	-	-	3,723	39.90%	(1,486)	10,944	-	Note 15		
Jiangxi TECO (AC)	Manufacturing and sales of air conditioning mechanical equipment	79,813	Note 3	79,813	-	-	-	79,813	4,276	100%	4,276	126,968	-	Note 14		
Qingdao Teco Innovation	Science Park development and business operations and consulting services	59,444	Note 12	59,444	-	-	-	59,444	1,022	100%	1,022	40,374	-	Note 15		
Shanghai Teco	Sales of home appliances	23,829	Note 1	23,829	-	-	-	23,829	94,315	100%	94,315	211,592	55,425	Note 14		
Hunan TECO	Manufacturing, sales and technical services of 2.0 megawatt and above	240,818	Note 10	240,818	-	-	-	240,818	-	100%	-	-	-	Note 20		
Wind Energy Limited	aerogenerator, wheel bay and other components															
Jiangxi TECO	Manufacturing and sales of motors, winding and related parts	119,840	Note 11	-	-	-	-	-	6,157	100%	6,157	116,083	-	Note 14		
Westinghouse Motor Coil Co., Ltd.																
Wuxi TECO	Production and sale of industrial motors and applications	656,500	Note 13	-	-	-	-	-	20,722	100%	20,722	818,207	-	Note 14		
Precision Industry Co. Ltd.																
Beijing Pelican Express	Storage services	26,422	Note 4	26,422	-	-	-	26,422	-	100%	-	-	-	Note 19		

	Investment in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)(%)	Investment income recognized by the Company for the year ended December 31, 2021	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
	Fubon Gehua (Beijing) Trading Co., Ltd.	Merchandise wholesale	\$ 336,660	Note 5	\$ 24,746	\$ -	\$ 24,746	\$ -	1.63%	\$ -	\$ -	\$ -	Notes 16 and 17
	Wuhan Tecom	Communication network information, technology development, sales and technology services business	6,950	Note 6	6,950	-	6,950	872	100%	799	(1,198)	-	Note 14
	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	-	482,619	(102)	100%	(102)	-	-	Note 18
	Information Technology (Wuxi)	ERP building, system maintenance and purchases of information appliance	10,167	Note 8	10,167	-	10,167	2,119	100%	2,119	28,518	-	Note 14
	Information Technology Total Service (Xiamen)	ERP building, system maintenance and purchases of information appliance	4,421	Note 8	-	-	-	(177)	100%	(177)	(330)	-	Note 14
	Wuxi TECO Electro Devices Co. Ltd.	R&D, manufacturing and sales of motors and provide products sales skills	115,125	Note 9	86,101	-	86,101	62,248	100%	59,864	218,208	43,266	Note 14

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 Information Technology Total Service (BVI) Co., Ltd. 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 Teco Electro Devices Co., Ltd. and then invest in Mainland China.

Note 10: 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 11: Through investing in investees in the third areas, which then invested in the investee in Mainland China: Invest through Micro Holding USA Inc. and Teco Westinghouse Motor Company 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: Invested through Tecocapital Investment (Samoa) Co., Ltd. and then invest in Mainland China.

Note 13: 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 14: The amount recognized was based on the financial statements that were audited by R.O.C. parent company's CPA firm.

Note 15: The amount recognized was based on the financial statements that were audited by the other CPA firm.

Note 16: Financial assets at fair value through other comprehensive income.

Note 17: As of December 31, 2021, accumulated impairment of \$24,746 was accrued.

Note 18: The liquidation and dissolution were completed in 2021.

Note 19: The company was dissolved in 2021, but the liquidation of the company has not been completed.

Note 20: The liquidation and dissolution were completed in 2020.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	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	\$ 57,397,160
Taiwan Pelican Express Co., Ltd.	51,168	51,168	1,650,497
Tecom Co., Ltd.	489,569	681,144	287,119
Information Technology Total Services Co., Ltd.	10,167	10,167	328,616
Teco Electro Devices Co., Ltd.	86,101	104,259	216,399

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, 2021

Table 11

Expressed in thousands of NTD
(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements and guarantees		Financing			
	Amount	%	Amount	%	Balance at December 31, 2021	%	Balance at December 31, 2021	Purpose	Maximum balance during the year ended December 31, 2021	Balance at December 31, 2021	Interest rate	Interest during the year ended December 31, 2021
Investee in Mainland China												Others
Wuxi Teco	\$ 9,963	-	\$ -	-	\$ 3,798	-	\$ -	-	\$ -	\$ -	-	-
Taian (Wuxi)	26,219	-	-	-	5,194	-	-	-	-	-	-	-
Jiangxi Teco	37,345	-	-	-	5,347	-	-	-	-	-	-	-
QingDao Teco	303	-	-	-	209	-	-	-	130,950	78,192	3.30%	947
Xiamen An-Tai	-	-	-	-	-	-	-	-	57,070	27,680	1.48%	154
Shanghai Teco	8,655	-	-	-	333	-	-	-	-	-	-	-
Wuxi Teco Precision	20,329	-	-	-	6,531	-	-	-	-	-	-	-
Wuxi Teco	(1,079,179)	(6%)	-	-	665,284	(12%)	-	-	-	-	-	-
Taian (Wuxi)	(776,301)	(4%)	-	-	231,423	(4%)	-	-	-	-	-	-
QingDao Teco	(412,507)	(2%)	-	-	37,362	(1%)	-	-	-	-	-	-
Jiangxi Teco	(96,292)	(1%)	-	-	14,941	-	-	-	-	-	-	-
Xiamen An-Tai	(2,870)	-	-	-	-	-	-	-	-	-	-	-
Jiangxi TECO (AC)	(33,838)	-	-	-	4,836	-	-	-	-	-	-	-
Wuxi Teco Precision	(35,342)	-	-	-	2,434	-	-	-	-	-	-	-
Genmao (Suzhao)	(231,410)	(1%)	-	-	32,037	(1%)	-	-	-	-	-	-



TECO ELECTRIC & MACHINERY CO., LTD.
Major shareholders information
December 31, 2021

Table 12

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
PJ Asset Management Co., Ltd	373,237,991	17.45%
Walsin Lihwa Co., Ltd	230,438,730	10.77%
Jia-Yuan Investment Co., Ltd	135,653,000	6.34%

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