



Energy Conservation | Emission Reduction | Intelligence | Automation

TECO ELECTRIC & MACHINERY CO., LTD.

111年報

2022 Annual Report

*Emissions reduction by **50%** in 2030*



Spokesperson

Name: Andy Chien
Title: Director
Tel: 886-2-2655-3333 ext. 3542
E-mail: speaker@teco.com.tw

Deputy Spokesperson

Name : Andy Liu
Title: Director
Tel: 886-2-2655-3333 ext. 3359
E-mail: andyliau@teco.com.tw

Stock Transfer Agent

Taishin Securities Co., Ltd
Address: B1, No. 96, Jianguo N. Rd.,
Sec. 1, Taipei, Taiwan R.O.C.
Tel: 886-2-2504-8125 ext. 6301 ~ 6306
Website: <https://stocktransfer.tssco.com.tw/index.action>

Auditors

PricewaterhouseCoopers, Taiwan
Auditors: Wu, Yu-Lung, Chou, Chien-Hung
Address: 27F., No. 333, Keelung Rd.,
Sec. 1, Taipei, Taiwan, R.O.C.
Tel.: 886-2-2729-6666
Website: <http://www.pwcglobal.com.tw>

Corporate Website

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

Taiwan Stock Exchange Market Observation Post System:

<http://emops.twse.com.tw/server-java/t58query>

Headquarter, Branches and Plant

Headquarter

5F., No. 19-9, San Chong Rd., Nankang,
Taipei, Taiwan, R.O.C.
Tel: 886-2-2655-3333

Plant Chung-Li

No.11, An-Tung Rd., Taoyuan City, Taiwan,
R.O.C.
Tel: 886-3-452-5101

Plant Kuan-Yin

No. 1568-1, Chung Shan Rd., Sec. 1, Guanyin,
Taoyuan City, Taiwan, R.O.C.
Tel: 886-3-473-4901

Plant Kuan-Yin II

No.6, Guojian 1st Rd.,
Guanyin, Taoyuan City, Taiwan, R.O.C
Tel: 886-3-483-2258

Plant Hu-Kou

No.15, Chung-hwa Rd., Hsinchu Industrial Park,
Hsinchu County, Taiwan, R.O.C.
Tel: 886-3-598-1711



Contents

I. Letter to Shareholders	1
II. Company Profile	5
III. Corporate Governance Report	
3.1 Organization.....	8
3.2 Directors and Management Team	10
3.3 Implementation of Corporate Governance.....	23
3.4 Information on CPA fee	67
3.5 Information on Replacement of CPA.....	67
3.6 Information on Service of the Company's Chairman, President, and Financial or Accounting Managers at the Accounting Firm or Its Affiliates.....	68
3.7 Changes in Shareholding of Directors, Managers and Major Shareholders.....	68
3.8 Information Disclosing the Relationship between any of the Company's Top Ten Shareholders	70
3.9 Long-Term Investments Ownership	71
3.10 Procedure of Material Information	71
IV. Capital Overview	
4.1 Capital and Shares.....	72
4.2 Corporate Bonds	75
4.3 Equity Warrant Preferred Stock	76
4.4 Preferred Stock.....	76
4.5 Global Depository Shares	76
4.6 Employee Stock Options and Restricted Stock Awards.....	76
4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions.....	76
4.8 Financing Plans and Implementation.....	76
V. Operational Highlights	
5.1 Business Activities	77
5.2 Market and Sales Overview	86
5.3 Human Resources	92

5.4 Information on Outlay for Environment Protection.....	92
5.5 Labor Relations.....	95
5.6 Strengthening the cyber security management	99
5.7 Important Contracts	100

VI. Financial Information

6.1 Five-Year Financial Summary	102
6.2 Five-Year Financial Analysis	106
6.3 Inspection Report of Audit Committee	108
Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report	109
Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report.....	206
6.4 The company and its affiliated companies had no financial turnover difficulties in the most recent year and up to the date of publication of the annual report	325

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

7.1 Analysis of Financial Status.....	326
7.2 Analysis of Operation Results.....	327
7.3 Analysis of Cash Flow	328
7.4 Major Capital Expenditure Items.....	329
7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year	329
7.6 Analysis of Risk Management	330
7.7 Other Important Items.....	339

VIII. Special Disclosure

8.1 Summary of Affiliated Companies.....	340
8.2 Private Placement Securities in the Most Recent Years.....	351
8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years.....	352
8.4 In the most recent year and up to the date of publication of the annual report, if any event that has a significant impact on shareholders' equity or securities prices as specified in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act	352
8.5 Other necessary supplementary explanations	352

I. Letter to Shareholders



Dear Shareholders,

The global economy was confronted with multiple challenges in 2022. It was originally expected to enter the post-epidemic period and will usher in the global economic recovery. However, as the outbreak of the Russia-Ukraine war sparked price hikes of energy, food, and raw materials and impact of China's rigorous lockdown in Q2 on the global supply chain and subsequent rampant infections triggered by abrupt lifting of restrictive measures dampened production and consumption, multiple adverse factors which fueled inflation, leading to accelerated interest-rate hike in the U.S. and Europe, sharp currency devaluation against the greenback, global credit tightening, and financial market fluctuation.

As a critical component of the global supply chain, Taiwan was faced with demand decline in Europe, the U.S., and China under the global inflationary pressure, leading to economic downturn in Q4, following growth in the first three quarters. Meanwhile soaring energy prices also sparked investments and demands for energy conservation and green energy in both public and private sectors. With whole-year growth rate reaching 2.43%, Taiwan was still among best performing economies in the world.

A. Review of 2022 business performance

a. Results from implementing 2022 strategic development plan.

The company focuses on the three major fields of electromechanical system, energy, and air conditioning:

1. For “Green Mechatronics”, the company possesses the two core capabilities of energy-conservation renovation and EV’s powertrain, enabling development of high-performance products and solutions for industrial and electric vehicle; 2. For “Intelligence Energy”, the company focuses on renewable energy and IDC (Internet Data Center) engineering project; 3. For “Air & Intelligent Life”, the company's products boasts Internet access, monitoring software, and energy saving.

In 2022, the company reaped abundant results in green-energy engineering projects, including turnkey engineering for Hailong onshore step-down substations, boosting the company champion of onshore substation engineering for offshore wind-power. In “Intelligence Energy”, the company focused on renewable energy-related engineering, for which it has secured orders worth over NT\$11 billion, as well as orders for various IDC engineering projects, plus plan to tap turnkey IDC (General Contract) engineering market in Southeast Asia. In solar power, TECO has built its own facilities totaling 10.4 MW in capacity, with total orders exceeding 15 MW in scale. In energy storage, in addition to materialization of Power conditioning system (PCS) indigenous production, backed by its abundant track record for energy-storage systems and technological team for EMS integration, it has obtained orders for constructing the energy storage facilities of state-run TaiPower Company and private sector, with the scale of orders having topped 130 MW.

In EV’s powertrain, besides the installation of dedicated motor production lines in Taiwan and Wuxi, China, a new Indian factory is scheduled for completion in Q2, 2023 and enters into trial production. Meanwhile after the passage of whole-vehicle test, TPower + 250 kW powertrain is slated for mass production in 2023. Under the “e-bus DMIT pilot plan” of the Ministry of Transportation and Communications, the powertrain will be adopted by major Taiwanese e-bus makers. Several domestic automakers have installed TECO's TPower 130 kW powertrain in their logistics e-trucks, scheduled for mass production in Q2, 2023, following completion of prototype and performance test. The company has also set sights on growing e-commercial vehicle markets in North America and India.

As for digital transformation, backed by the foundation of group's digital warehousing, the company has been promoting factory’s war room, for visualized monitoring and management of changes in such indicators as production costs, delivery, and inventory, in addition of integration of operation data of affiliates worldwide for firm grip on their key operational information and rapid response to market changes, thereby forging a resilient management strength. Meanwhile, for information security, introduce such mechanisms as intrusion prevention system (IPS), malicious-email screening, and data backup, so as to minimize management risk.

b.R&D achievements and cutting-edge product development

In 2022, the company reaped abundant R&D results, as evidenced by 12 items winning 31st Taiwan Excellence Awards, including silver award for "Intelligent Mobile Collaborative Robot". The company successfully developed cutting-edge products in the fields of energy conservation, emission reduction, intelligence and automation, including "high-power motor-gearbox integrated powertrain" for application in e-bus and e-truck; "large bipolar rigid-axis inverter duty smart motor", "IE5 ultra-high efficiency energy-saving permanent-magnet motor", "ultra-high performance smart drive control system for cooling tower", "high power-density energy-saving matrix inverter", and "smart logistics solution: smart precision positioning and navigational system for forklift" for industrial application, etc.

c.2022 financial status, implementation of business plan and profit analysis

1.Consolidated Financial Statements

Unit: NT\$1,000

	2022	2021	Growth rate
Sales Revenue	58,315,216	51,248,387	13.8%
Operating Profit	5,073,654	3,760,718	34.9%
Profit for the period	3,992,010	5,502,191	-27.4%

The company's Sales revenue grew 13.8% in 2022, thanks mainly to the growth of electromechanical products and engineering projects. Electromechanical products scored 14.7% growth, due to sharp sales growth of affiliates, resulting from recovering demands in North America and Europe and booming business of high-efficiency energy-saving motors, inverters, and energy-saving systems, sparked by carbon neutrality and green energy policy of various governments. Meanwhile, revenue of engineering projects and equipment jumped 43.1%, due to successive execution of various engineering projects related to renewable energy, energy storage, and IDC. Revenue of home appliances and air conditioners remained flat for the second year in a row.

Operating profit rose 34.9%, thanks mainly to the contribution of electromechanical products, whose prices were hiked, price drop of commodity and NT dollar's depreciation against the U.S. dollar in the second half, and result of cost-reduction effort, and effective control of operating expenses.

Profit for the period dropped 27.4%, due mainly to valuation change of financial assets in Non-operating income and expenses.

2.Parent Company Only

Unit: NT\$1,000

	2022	2021	Growth rate
Sales Revenue	27,229,403	23,258,398	17.1%
Operating Profit	1,845,542	1,357,228	36.0%
Net Income	3,457,667	5,013,134	-31.0%

Sales revenue upped 17.1%, as revenue from electromechanical products advanced 12%, thanks to shipment to North America and Europe expanded in both volume and value, and revenue from engineering projects revenue soared 49%, thanks to successive execution of engineering projects related to renewable energy, energy storage, and IDC.

Operating profit leapt 36%, thanks mainly to price hikes of electromechanical products, and price drop of commodity and NT dollar's depreciation in the second half, plus higher production efficiency resulting from automated and smart production, adjustment of product mix, cost-cutting measures boosting gross margin, and significant effect of operating-expense control during the pandemic.

Profit for the year declined 31%, mainly thanks to valuation change of financial assets in Non-operating income and expenses and valuation loss of financial assets held by subsidiaries under equity method.

d.Financial strategy and results

With main businesses focusing on R&D, production, and sales of industrial products, the company belongs to mature industry and thus has embraced the principle of stable operation in financial strategy for a long time. Based on general consideration of business plan, capital expenditure, need of working capital, and returns for shareholders, the company plans cash flow in a precision manner and proper financial structure every year.

Table 1

Year	Profit for the period (NT\$mm)	Net cash flow adequacy ratio %	Current ratio %	Debt ratio %
2020	3,811	134.73	233.41	36.01
2021	5,502	126.64	213.81	29.98
2022	3,992	117.78	222.11	31.82

Thanks to its stable cash flows from operating activities, as well as stable and sustainable operating strategy, Taiwan Ratings Corporation granted the company “twA” (Stable) credit rating starting 2012, enabling the company to secure financing at lower interest rates, slashing financing cost. Taiwan Rating has upgraded the credit rating to “twA+” (Stable) since 2015, highlighting the company business credit standing and increasing its bargain power and flexibility of funding raising.

B. Summary of 2023 business plan

Given the adverse factors of global inflation, slackening demands, and inventory adjustment for the post-pandemic global economy, the Cabinet-level Directorate General of Budget, Accounting, and Statistics predicts that Taiwan's economy will grow 2.12% in 2023. To maintain revenue growth, the company will take advantage of demands concerning energy conservation and carbon abatement and tap new business opportunities related to energy transformation and electrification.

Key points of 2023 operating strategy and business growth plan

a. Growth plan of existing business

In Green Mechatronic Solution, sales of inverters and energy conservation solutions are expected to benefit from production of shale-oil, electrification of conveyance equipment and waste-heat recovery, sparked by various countries' carbon neutrality policy, including the U.S., which has pledged to reach the goal by 2050. Taiwan also aims to attain net zero emission by 2050, a goal expected to spur industrial investments in energy conservation, energy storage, integrated smart system. With motor being an energy-intensive equipment, TECO has been offering end customers with overall energy-saving and carbon-abatement renovation plan and feasible solutions, an effort which has made major inroads into the Taiwanese and Chinese markets, especially in high carbon-emission fields, especially in iron & steel, papermaking and petrochemical industry. In the U.S. market, in addition to electrification of step-up stations for oil & gas pipelines and cogeneration systems for iron & steel and petrochemical industry, the company has also a firm grip on business opportunities related to E-Skid, green transportation, and hydrogen energy to boost revenue.

In Intelligence Energy, given popularity of 5G/big data/cloud-end services, TECO, backed by its outstanding technology, expects to continue enjoying robust growth in IDC engineering business, both on the domestic front and abroad, aiming to double orders from new customers/markets in 2023, on top of its total order intake exceeding 170 MW. In 2023, the company plans to further tap engineering opportunities of offshore substations for offshore wind farm, as well as related demands for gas insulated switchgear(GIS), spare generators, and offshore and onshore "E-house" solutions, the latest in collaboration with ABB. The company also expects to score robust growth in order intake and revenue related to renewable energy and energy storage, as the Taiwanese aims to boost the share of renewable energy in power generation to 20% by 2025, up from 2022's 8.6%, the latter representing 36% growth.

Air and Intelligent Life business group will continue focusing on provision of full-field smart air conditioning and energy management, contributing to the materialization of new life of ESG carbon-neutrality, and rollout of variable-frequency freezers for use by food factory and home-delivery low-temperature logistics plants. In technology strategy, it will provide AI freezing air-conditioning energy-conserving system, upgrade food safety and flexible cooling-power maneuvering with refrigerant quantum technology, and roll out changeable multi-temperature layer refrigerated chamber, in order to bolster revenue growth.

b. Strategic development plan

In line with its vision of "energy conservation, emission reduction, intelligence, and automation," the company's development strategy will center on the three major axes of green-energy creation and storage, foray into potential markets connected with the government's New Southbound Policy, and establishment

of North American and Indian supply chains, to inject fresh momentum for corporate growth.

1. Energy creation and storage: Develop technology for producing core equipment of PV power devices and energy storage facilities, as a prelude to solar-plus-storage, then combine of energy management system and central-control information exchange platform, eventually develop into a comprehensive virtual green-power operator.
2. New southbound market: Focus on promotion of optimized product mix covering power, mining, e-vehicle, and HVAC, in addition to deployment in local sales services and supply chain.
3. Establishment of North American and Indian supply chain: Plan to set up motor factories in India and Mexico in 2023, to augment delivery and cost competitiveness.

Meanwhile in strategic development of technology, the company plans to develop PCS (power conditioning system) and high-voltage charging technology, as an offshoot of medium-voltage inverter, in 2023.

In terms of digital transformation, to intensify global integrated operation, it plans to introduce TOS/EQS operating logistics automation system and cloud-end digital collaboration system, for applications in project team collaboration, corporate information entry, and mobile offices in stages to augment productivity. Meanwhile, to intensify innovative AI data applications in design, quotation, and supply chain, to quicken production-sales linkage, shorten cycle time, and raise delivery punctuality.

c. Sustainable development

The company has been recognized by international sustainability evaluation institutions in three consecutive years and included in DJSI Emerging Markets Index and S&P Global Sustainability Yearbook, thanks to its outstanding performance in innovative management, talent cultivation, and supply chain management, the only enterprise included in the Electrical Components & Equipment category of DJSI Emerging Markets Index.

Under the pledge of "10-year 50% emission reduction," TECO has aimed to halve emission by 2030, according to which it will kick off global production base emission reduction plan this year, including inauguration of expanding PV power devices at its factory premises worldwide, so as to enhance the group's share of renewable-energy consumption, on top of establishment of sustainable supply chain, via assistance for smart and medium enterprises to conduct greenhouse-gas inventory and emission reduction. The company will launch internal carbon price system this year, in the hope of spurring employees to actively carry out carbon abatement plan and imprint net zero emission concept in their minds deeply. In social engagement, to have the concept of energy conservation and emission reduction to take root in our society, the company holds "Green Innovation Competition" for high and elementary school students, in the hope of implanting earth sustainability idea among them. The company has also organized International Competition for Net Zero Emission Technology" for college students, encouraging engagement in R&D on emission reduction technology and passing on the mission of net zero emission sustainability. Moreover, the company holds "TECO Award" for outstanding Taiwan figures in science/technology and humanity, for their contribution to build a progressive society with equal emphasis on both fields.

In conclusion, the company will continue to uphold the concept of sustainable operations and implement corporate governance standards to create a sustainable working environment for employees, provide services in line with ESG value to customers, and bring the best interests to shareholders

Chairman: Sophia Chiu


President: Thomas Fann

Accounting chief: Tommy Wu

II. Company Profile

Date of Incorporation: June, 1956

Company History

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| <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> |  <p>2021</p> <p>1956</p> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|

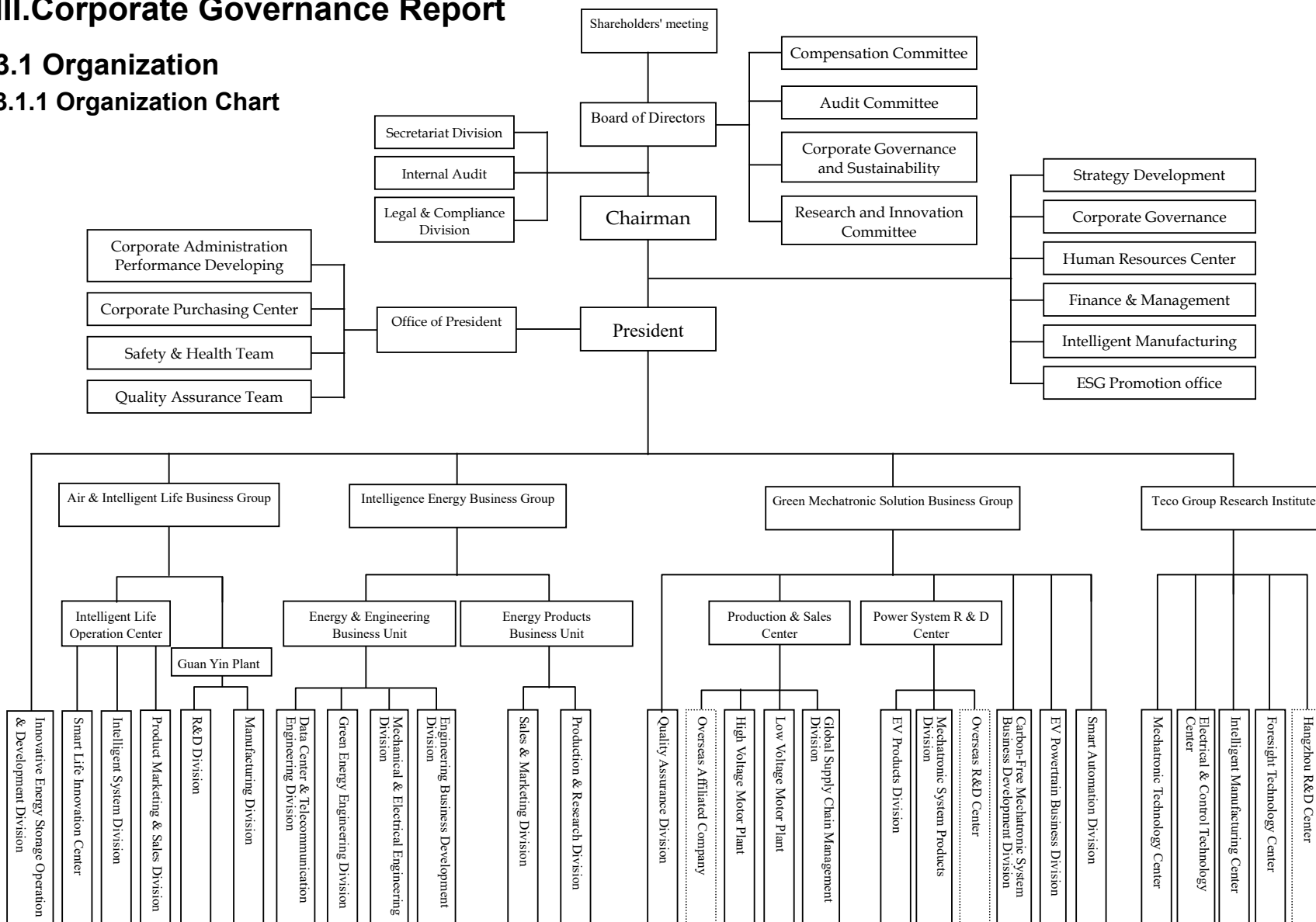
- 2016 The diecasting center in Wuxi was opened with certification of LEED
The automatic product center for motor stator was erected
TECO's 60 Anniversary, keeps moving forward to intelligent automation
Social harmony award & Champion for the category of big-enterprise technology at Taiwan Corporate 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
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

- 2022 Won the bid for the Taipower's Longtan Energy Storage EPC Contract
Signed EPC Contract for Onshore Substation with Hai Long Offshore Wind
Signed a Letter of Intent with ABB for Pushing Offshore Wind Power Substations
T-PAL, " Intelligent Mobile Collaborative Robot " won the silver award of Taiwan Excellence
Passed the TIPS, "Taiwan Intellectual Property Management System" A-level verification for the second time
Selected as a constituent stock of DJSI Dow Jones Sustainability Index-Emerging Markets for three consecutive years
Ranked top 5% of Corporate Governance Evaluation for eight consecutive years
Taiwan Corporate Sustainability Awards (TCSA) for nine consecutive years
TECO listed in S&P Global Sustainability Yearbook for three 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); 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>
Innovative Energy Storage Operation & Development Division	Integration, operation, and, maintenance of energy storage systems; development, investment, installation, and operation of solar power stations
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%	2,218,674	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	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%	50,420,000	2.36%	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 51~60	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%	AM, East Asia Studies, Harvard University	Director and Executive Vice President of Universal Cement Corporation Director of Tainan Spinning Co., Ltd.	-	-	-
	ROC	Representative: Jack Hou(Note)	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			
Independent 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 Kellogg Graduate School of Management, Northwestern University, USA	Independent Director of Fusheng Precision Co., Ltd and An-Shih Food Co., Ltd.	-	-	-
Independent Director	ROC	Hsieh-Hsing Huang	Male 61~70	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 Independent Director of China Airlines Ltd.	-	-	-
Independent 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 Bachelor of Department of Law, National Taipei University	Director of PCL TransAsia Law Offices Director of CPC Corporation, Taiwan	-	-	-
Independent 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: The representative of Creative Sensor Inc. changed from Johnson Hou to Jack Hou on December 22nd 2022.

Information disclosure of Director qualifications and independence of independent directors

Criteria	Professional Qualification and Experience	Independent Situation	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Name			
<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>(Note1)</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>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. Since taking over as the chairman in 2014, she has led the company to move steadily towards smart manufacturing, low-carbon, and digital transformation, in order to realize the vision of "energy saving, emission reduction, intelligence, and automation".</p> <p>Chairman Chiu has been focusing on the operation and management of the electromechanical equipment industry for more than 20 years. Without cases mentioned in various clauses of Article 30 of Company Law.</p>	<p>Chairman Chiu also serves as director and chairman of the company's affiliates and is representative of the company's judicial-person shareholder (Tungkuang Investment).</p> <p>For others, conformance to independence specified in article 3-1 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission.</p>	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>	<p>Director Huang also serves as director of the company's affiliates and is representative of the company's judicial-person shareholder (Tunggho International).</p> <p>For others, conformance to independence specified in article 3-1 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission.</p>	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 for more than 20 years. Without cases mentioned in various clauses of Article 30 of Company Law.</p>	<p>Director Chou is a natural-person shareholder</p> <p>Conformance to independence specified in article 3-1 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission.</p>	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>	<p>Director Cheng is representative of the company's judicial-person shareholder (Hoyuan International Investment) and supervisor of one of the top five judicial-person shareholders (PJ Asset Management)</p> <p>For others, conformance to independence specified in article 3-1 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission.</p>	0

Criteria	Professional Qualification and Experience	Independent Situation	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Name			
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.	Director Huang serves as special assistant to the company's ESG promotion office and is representative of the company's judicial-person shareholder (Yingi International Investment). For others, conformance to independence specified in article 3-1 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission.	0
Creative Sensor Inc. Representative: Jack Hou	Mr. Hou received a bachelor's degree in political science from Columbia University and a master's degree from the East Asian Institute of Harvard University.) director, director of China United Resources (Shares) Co., Ltd., etc. Director Hou has been focusing on the cement industry and electronic technology industry-related operations planning for more than 10 years. He has majors in international sales and marketing, smart automation, and new energy, as well as more than ten years of work experience.. Without cases mentioned in various clauses of Article 30 of Company Law.	Director Ho is representative of the company's judicial-person shareholder (Creative Sensor Inc.) For others, conformance to independence specified in article 3-1 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission.	0
Song-Ren Fang R 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.	Director Fang is a natural-person shareholder Conformance to independence specified in article 3-1 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission.	1
Wei-Chi Liu A Convener C Committee members	Mr. Liu has Bachelor of Business Administration from National Cheng Kung University, Master and PhD of Business Administration from Northwestern University, US. 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.	In the two year prior to their appointment and during their tenure, the four independent directors on the left all conform to conditions specified in "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission and meet qualifications set in article 12-2 of the Securities and Exchange Act, in addition to fulfillment of responsibilities independently with power for participation in and opinion expression for decision making, as authorized by article 14-3 of the Securities & Exchange Act.	2

Criteria	Professional Qualification and Experience	Independent Situation	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Name			
<p>Hsieh-Hsing Huang</p> <p><input type="checkbox"/> Committee members</p> <p><input type="checkbox"/> Committee members</p> <p><input type="checkbox"/> Committee members</p>	<p>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.</p> <p>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.</p> <p>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.</p>	<p>In the two year prior to their appointment and during their tenure, the four independent directors on the left all conform to conditions specified in "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission and meet qualifications set in article 12-2 of the Securities and Exchange Act, in addition to fulfillment of responsibilities independently with power for participation in and opinion expression for decision making, as authorized by article 14-3 of the Securities & Exchange Act.</p>	1
<p>Li-Chen Lin</p> <p><input type="checkbox"/> Convener</p> <p><input type="checkbox"/> Committee members</p> <p><input type="checkbox"/> Committee members</p> <p><input type="checkbox"/> Committee members</p>	<p>Graduated from Bachelor of Law from National Taipei University, Ms. Lin obtained Master of Business Administration from Tulane University.</p> <p>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.</p>	<p>In the two year prior to their appointment and during their tenure, the four independent directors on the left all conform to conditions specified in "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission and meet qualifications set in article 12-2 of the Securities and Exchange Act, in addition to fulfillment of responsibilities independently with power for participation in and opinion expression for decision making, as authorized by article 14-3 of the Securities & Exchange Act.</p>	0
<p>Shiang-Chung Chen</p> <p><input type="checkbox"/> Committee Convener</p> <p><input type="checkbox"/> Committee members</p> <p><input type="checkbox"/> Committee members</p>	<p>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.</p> <p>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.</p>	<p>In the two year prior to their appointment and during their tenure, the four independent directors on the left all conform to conditions specified in "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," promulgated by the Financial Supervisory Commission and meet qualifications set in article 12-2 of the Securities and Exchange Act, in addition to fulfillment of responsibilities independently with power for participation in and opinion expression for decision making, as authorized by article 14-3 of the Securities & Exchange Act.</p>	1

Note 1: 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**

Note 1: Implement the policy of diversification in the board

Name	Diversification Core items			Basic conditions and value			Date of first appointment (MM/DD/Y YYY)	Tenure of independent directors	Professional background/Experience					Knowledge and Skill							Industrial experience		
	Sex	Age	Nationality	Electric vehicles	Intelligent automation	Intelligent city			New energy	Land development	Corporate operating leadership	Government strategy	Governm ent strategy	International Sales and marketing	Financial managem ent	E S G	Supversi on	Legal	Electromechanical equipment	Electronic technology	Finance and Accounting		
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	51-60	ROC	1100101	-	●	●	●	●						●				●				
Chih-Sheng Hou	M	31-40	ROC	1111222	-		●	●					●							●			
Song-Ren Fang	M	51-60	ROC	1100723	-		●	●			●									●			
Wei-Chi Liu (independent director)	M	61-70	ROC	1070615	3-6 年	●	●	●	●	●	●	●	●	●	●	●					●		
Hsieh-Hsing Huang (independent director)	M	61-70	ROC	1100723	<3 年	●				●	●	●			●	●	●				●		
Li-Chen Lin (independent director)	F	61-70	ROC	1100723	<3 年		●	●	●	●	●				●	●		●		●			
Shiang-Chung Chen (independent director)	M	51-60	ROC	1100723	<3 年				●		●				●	●				●			

Board independence:

- (1). There are 11 directors in total, and 6 directors meet the independence conditions of the "Measures for the Appointment of Independent Directors of Public Offering Companies and Matters to Be Followed" (accounting for 54.55%), and 4 are independent directors (accounting for 36.36%).
- (2). Independent directors shall serve no more than three consecutive terms, and concurrently serve as independent directors of other public companies shall not exceed three. There are 3 independent directors whose term of office is less than 3 years, and 1 independent director whose term of office is 3-6 years.
- (3). There is no spouse or second-degree relative relationship between directors (there is no circumstance specified in Item 3 and Item 4 of Article 26-3 of the Securities Exchange Act). All directors uphold a high degree of self-discipline. Those who have an interest in the proposals listed on the board of directors, themselves or the legal person they represent, shall not participate in the discussion when the important content of their interest relationship is stated at the board meeting, if it is harmful to the interests of the company. vote, and shall be abstained from discussion and voting, and shall not act on behalf of other directors to exercise their voting rights (please refer to page 23 The implementation of Directors' avoidance of motions in conflict of interest)

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	Thomas Fann (Note 1)	2022.4.7	0	0.0%	0	0.00%	0	-	Ph.D. Mechanical Engineering, University of Michigan	Chairman of Shanghai Teco Electric & Machinery Pte Ltd	-	-	-	Note 1
Business Group President	ROC	Sung-Pin Chang	2015.8.12	93,181	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	21,352	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	113,954	0.00%	305	0.00%	0	-	Master of Mechanical Engineering, National Central University	Chairman of Teco Vietnam 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 : President Thomas Fann took office on April 7th 2022. Former President, Chao-Chih retired

Note 2 : Sheng-Chyuan Lin retired on May 1st 2022.

3.2.3 Remuneration of Directors, President and Vice President

Remuneration of Directors (Including Independent Directors)

December 31, 2022 / Unit: NT\$ thousands

Code	Title	Name	Remuneration										Relevant remuneration received by directors who are also employees										Compensation paid to directors from an invested company other than the company's subsidiary
			Base Compensation(A)		Severance Pay(B)		Bonus to Directors(C)		Allowances(D)		Ratio of total remuneration (A+B+C+D) to net income(%)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)				Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		
			The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	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	
1	Chairman	Tung Kuang Investment Co., Ltd. Representative : Chwen-Jy Chiu	-	-	-	-	Total 69,926	Total 69,926	Total 264	Total 264	2.03%	2.03%	-	-	-	-	-	-	-	2.03%	2.03%	-	
2	Director	Tong Ho Global Investment Co., Ltd Representative : Cheng-Tsung Huang																					
3	Director	Show-Shoun Chou																					
4	(Director	Ho Yuan International Investment Co., Ltd. Representative: Pen-Ching Cheng																					
5	Director	Yinge Int. Inv. Co., Ltd Representative : Li-Chong Huang																					
6	Director	Creative Sensor Inc. Representative: Johnson Hou/Jack Hou																					
7	Director	Show-Shoun Chou																					
8	Independent Director	Wei-Chi Liu	-	-	-	-	Total 9,600	Total 9,600	Total 528	Total 528	0.29%	0.29%	-	-	-	-	-	-	-	0.29%	0.29%	-	
9	Independent Director	Hsieh-Hsing Huang																					
10	Independent Director	Li -Chen Lin																					
11	Independent Director	Shiang-Chung Chen																					

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				
NT\$1,000,000 ~ Under NT\$2,000,000				
NT\$2,000,000 ~ Under NT\$3,500,000	8.9.10.11	8.9.10.11	8.9.10.11	8.9.10.11
NT\$3,500,000 ~ Under NT\$5,000,000				
NT\$5,000,000 ~ Under NT\$10,000,000	2.3.4.5.6.7	2.3.4.5.6.7	2.3.4.5.6.7	2.3.4.5.6.7
NT\$10,000,000 ~ Under NT\$15,000,000	1	1	1	1
NT\$15,000,000 ~ Under NT\$30,000,000				
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	11	11	11	11

Note : Shown by code of Directors in the previous table

Compensation of President and Vice President

December 31, 2022/ Unit: NT\$ thousands

December 31, 2022/ Unit: NT\$ thousands															
Code	Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income(%)	Ratio of total compensation (A+B+C+D) to net income(%)	Compensation paid to the president and vice president from an invested company other than the company's subsidiary
			The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
									Cash	Stock	Cash	Stock			
1	Chairman	Chwen-Jy, Chiu	Total 19,127	Total 19,127	Total 1,020	Total 1,020	Total 32,406	Total 34,311	Total 21,425	-	Total 21,425	-	2.14%	2.19%	Total 465
2	President	Thomas Fann (Note 1)													
3	President	Chao-Chih Lien (Note 1)													
4	Business Group President	Sung-Pin Chang													
5	Business Group President	Chi-Tseng Peng													
6	Business Group President	Fei-Yuan Kao													
7	Assistant Vice President	Sheng-Chyuan Lin (Note 2)													
8	General Director of Teco Group Research Institute	Kun-Yao Ho													
9	Corporate Governance Officer	Shih-Hsiung Chien													

Note 1 : President Thomas Fann took office on April 7th 2022. Former President, Chao-Chih retiredNote 2 : Sheng-Chyuan Lin retired on May 1st 2022.

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	9
NT\$3,500,000 ~ under NT\$5,000,000	2.3	2
NT\$5,000,000 ~ under NT\$10,000,000	4.5.6.7.8	3.4.5.6.7.8
NT\$10,000,000 ~ under NT\$15,000,000		
NT\$15,000,000 ~ under NT\$30,000,000	1	1
NT\$30,000,000 ~ under NT\$50,000,000		
NT\$50,000,000 ~ under NT\$100,000,000		
Over NT\$100,000,000		
Number of Executives	9	9

Note : Shown by code of Executives in the previous table

Employee Bonus to Executive Officers

2022.12.31/ 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 21,425	Total 21,425	0.62%
	President	Thomas Fann (Note 1)				
	President	Chao-Chih Lien (Note 1)				
	Business Group President	Sung-Pin Chang				
	Business Group President	Chi-Tseng Peng				
	Business Group President	Fei-Yuan Kao				
	Assistant Vice President	Sheng-Chyuan Lin (Note 2)				
	General Director of Teco Group Research Institute	Kun-Yao Ho				
	Corporate Governance Officer	Shih-Hsiung Chien				

Note 1 : President Thomas Fann took office on April 7th 2022. Former President, Chao-Chih retired

Note 2 : Sheng-Chyuan Lin retired on May 1st 2022.

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 (%)
2022	156,200	4.52%
2021	182,329	3.64%

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 9 meetings of the 25th board of directors were held in 2022, 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	9	0	100 %	Should attend 9 times
Managing Director	Tong Ho Global Investment Co., Ltd Representative : Cheng-Tsung Huang	9	0	89%	Should attend 9 times
Managing Director	Show-Shoun Chou	9	0	100%	Should attend 9 times
Managing Director	Ho Yuan International investment Co., Ltd Representative: Pen-Ching Cheng	9	0	100%	Should attend 9 times
Managing Director	Ying Int. Inv. Co.,Ltd Representative : Li-Chong Huang	9	0	100%	Should attend 9 times
Managing Director	Creative Sensor Inc.				
	Representative : Johnson Hou	8	0	100%	Should attend 8 times
	Representative : Jack Hou	1	0	100%	Should attend 1 times
Managing Director	Song-Ren Fang	9	0	100%	Should attend 9 times
Independent Director	Wei-Chi Liu	9	0	100%	Should attend 9 times
Independent Director	Hsieh-Hsing Huang	9	0	100%	Should attend 9 times
Independent Director	Li-Chen Lin	9	0	100%	Should attend 9 times
Independent Director	Shiang-Chung Chen	9	0	83%	Should attend 9 times

Other mentionable items:

- 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.
 - 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.
 - 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.
- The implementation of Directors' avoidance of motions in conflict of interest:
 - 26-6 meeting of the board of directors (March 16, 2022)

Names of directors: Independent director Liu Wei-chi, independent director Lin Li-chen, independent director Chen Hsiang-chung, independent director Huang Hsieh-hsing

Contents of issue: Adjustment of compensations for independent directors

Reason for abstention and voting situation: Independent directors Liu Wei-chi, Lin Li-chen, Chen Hsiang-chung, and Huang Hsieh-hsing left the meeting ground to avoid participation in the discussion and voting for the issue.

Resolution: The proposal was passed without objection from other directors upon inquiry by the chairman.

Name of directors: chairman Sophia Chiu, director Huang Cheng-tsung

Contents of issue: budge adjustment for the reconstruction project for Songjiang Building

Reason for abstention and voting situation: Chairman Sophia Chia and director Huang Cheng-chung, both directors of Tungan Assets, left the meeting ground to avoid participation in the discussion and voting for the issue.

Resolution: The proposal was passed according to the result of trail calculation (20% engineering reserve fund) without objection from other directors upon inquiry by the acting chairman Liu Wei-chi.
 - 26-9 meeting of the board of directors (Aug. 8, 2022)

Name of director: independent director Chen Hsiang-chung

Contents of issue: participation in cash capital increase of Walsin Lihwa Corporation

Reason for abstention and voting situation: Independent director Chen Hsiang-chun left the meeting ground to avoid participation in the discussion and voting for the issue.

Resolution: The proposal "authorizing the chairman to designate proper member company of the group to attend the cash capital increase at NT\$30 per share at maximum of NT\$10 million" was approved, with support of seven directors, over half of those in attendance, and three abstaining.

(3) 26-13 meeting of the board of directors, Dec. 23, 2022

Contents of issue: Change of the execution method for the Songjiang Building reconstruction project to collaboration between Tungan Assets and Mingtai Fire& Marine Insurance, with the former being the constructor and the latter pure land provider without funding contribution.

Reason for abstention and voting situation: Chairman Sophia Chia and director Huang Cheng-chung, both directors of Tungan Assets, left the meeting ground to avoid participation in the discussion and voting for the issue.

Resolution: The proposal was passed without objection from other directors upon inquiry by acting chairman Liu Wei-chi.

3. Implementation of Board Evaluation

Frequency	Period	Scope	Method	Content
Once per year	2022.1.1~2022.12.31	Board of Directors	Internal self-evaluation of the board of directors "Self-evaluation Questionnaire for Board Performance Evaluation"	A total of 45 evaluation indicators are included in the five aspects of participation in the company's operations, improving the quality of board decision-making, composition and structure of the board of directors, selection and continuing education of directors, and internal control.
Once per year	2022.1.1~2022.12.31	Individual director	Director Member (Self) Self-assessment "Director Member Performance Evaluation Self-Assessment Questionnaire"	A total of 23 evaluation indicators are included in the six aspects of personal grasp of the company's goals and tasks, cognition of directors' responsibilities, degree of participation in company operations, internal relationship management and communication, directors' professional and continuing education, and internal control.
Once per year	2022.1.1~2022.12.31	Functional Committee ● Audit Committee ● Compensation Committee ● Corporate Governance and sustainability Committee ● Research & Development Innovation Committee	internal self-assessment "Functional Committee Performance Evaluation Self-Assessment Questionnaire"	Participation in the company's operations, awareness of the responsibilities of functional committees, improvement of decision-making quality of functional committees, composition and selection of members of functional committees, and internal control.
Evaluation performed every three years by an external professional independent body	2020.1.1~2020.12.31	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, self-discipline of the board of directors, other such as board meetings, support systems, etc.	Commissioned the Chinese Corporate Governance Association to conduct "data review", "online self-assessment questionnaires", "on-site interviews" and other methods, and write an external evaluation analysis report	1. The board of directors should plan the inheritance and development of the board of directors, and regularly review the composition and division of labor of the existing board of directors, as well as whether the selection, nomination and appointment process of members is rigorous and thorough. 2. The board of directors should set and adjust the company's goals and response strategies, and effectively manage and ensure that the management department implements strategies to achieve goals. 3. Through the division of responsibilities and the authorization of the management department, the board of directors ensures that the company follows the established

				<p>policies, systems, goals and strategies. An effective and immediate return mechanism should be established as a reference for decision-making or management adjustments.</p> <p>4. The supervision of the board of directors should be implemented by setting up independent internal audit professionals, relying on external professional accountants, and other effective mechanisms to reasonably ensure corporate compliance and effective operation.</p> <p>5. The communication objects of the board of directors include the members of the board of directors, the management department, shareholders, and other stakeholders; it is necessary to pay attention to the topics of communication, the communication and feedback mechanism, and the culture of the board of directors.</p> <p>6. The board of directors should identify important risk issues, define risk tolerance, and establish a sound internal control system to ensure business results.</p> <p>7. The board of directors must regularly evaluate its own participation, investment and performance, and make sure to review and improve in order to respond to changes in the business environment.</p> <p>8. Others such as board meetings, support systems, etc., including the setting of corporate governance personnel, agenda planning, meeting preparation, information provision, meeting records and post-meeting follow-up management, etc.</p>
<p>4. Evaluation of the goals and implementation status of strengthening the functions of the board of directors in the current year and the most recent year.</p> <p>(1) Strengthen the functions of the board of directors</p> <ul style="list-style-type: none"> - In order to continuously improve directors' professional knowledge and legal literacy to assist the effective operation of the board of directors, the secretary's office conducts director training courses on 2022.8.12 and 2022.12.23. - Supervising the risk management mechanism: The scope of risk management, organizational structure and 2011 risk management operation situation have been disclosed on the official website and reported to the board of directors (2022.12.23). - The Board of Directors (2022.12.23) approved the revision of the "Internal Significant Information Processing and Insider Transaction Prevention Management Operation Procedures", specifying the applicable objects of this operation procedure, increasing the scope of insider transaction prevention management; adding the application certificate for confidential firewall operators Relevant provisions of Article 157-1 of the Communication Law; specify the retention period (5 years) of information disclosure-related materials. <p>(2) Strengthen investor communication</p> <p>Actively manage investor community exposure, take the initiative to visit securities companies and interview analysts of securities companies on energy-related topics, and participate in various investment forums. Since 2020, we have held quarterly self-incorporated briefings to regularly update the company's financial and business information and provide opportunities for the investing public to communicate directly with the management team. In order to implement the equal treatment of shareholders, the audio and video files are disclosed at the same time, so as to ensure that the investing public who cannot participate in the seminars will receive the same information.</p>				

3.3.2 Audit Committee

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

Key Focus in 2022:

1. Review financial reports

The company's board of directors submitted the 2021 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 5th meeting of the 4th Audit Committee (2022.3.14), were submitted to the 6th meeting of the 26th Board of Directors (2022.3.16) for resolution and were acknowledged by general shareholders meeting 2022 (2022.5.20).

2. Evaluate the effectiveness of the internal control system

The company judges whether the design and implementation of the internal control system in 2021 are effective based on the items for judging the effectiveness of the internal control system stipulated in the "Guidelines for the Establishment of Internal Control Systems for Public Issue Companies".

A total of 30 internal self-assessment units of the company and 25 subsidiaries have completed the internal control self-assessment work, and no major deficiencies have been found in the design and implementation of their internal control systems. After deliberation and approval by the 5th meeting of the 4th Audit Committee (2022.3.14), the 6th meeting of the 26th of the Board of Directors (2022.3.16) passed the resolution and issued the 2021-year "Internal Control System Statement"

A total of 6 meetings of the 4th Audit Committee were held in 2022, and the Audit Committee attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Convener & Chairman	Wei-Chi Liu	6	0	100%	Should attend 6 times
Member	Hsieh-Hsing Huang	6	0	100 %	Should attend 6 times
Member	Li-Chen Lin	6	0	100%	Should attend 6 times
Member	Shiang-Chung Chen	6	0	100%	Should attend 6 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 of directors	Issue contents and subsequent handling	Items specified in article 14-5, Securities and Exchange Act	Approval by over two thirds of directors, without passage by the auditing committee
26-6 meeting of the board of directors (2022.3.16)	Completion of self evaluation of the company's 2021 internal control system	v	
	Review of the company's 2021 business report, financial reports (consolidated and individual)	v	
	Review of the proposal of company's 2021 earnings distribution	v	
	Discussion on renewal of the company's credit lines provided by financial institutions scheduled for expiration in 2022	v	
	Budget adjustment for reconstruction project for Songjiang Building	v	
	Proposed revision of the company's "handling procedure for acquisition or disposal of the company's assets"	v	
	Proposed revision of the company's "measures governing circular operation of computer information"	v	
	Proposed revision of the company's "risk management policy and procedure"		
	Resolution of auditing committee (March 14, 2022): issue on the company's 2022 earnings distribution After discussion, the committee proposed cash dividend payout of NT\$1.35 per share for submission to the board of directors for resolution. Other issues were approved with agreement of all the committee members in attendance.		
26-7 meeting of the board of directors (2022.5.13)	The company's handling of auditing committee's opinion: The board of directors resolved to set cash dividend payout at NT\$1.35 per share, after inquiry by chairman of the opinions of all the directors in attendance. Other proposals were approved by all the directors in attendance.		
	The company's 2022 Q1 consolidated financial report °	v	
	Resolution of auditing committee (May 10, 2022): The financial report was approved by the committee without objection from any members in attendance and was then submitted to the board of directors for resolution.		
26-9 meeting of the board of directors (2022.8.8)	The company's handling of auditing committee's opinion: Approval by the directors in attendance		
	The company's consolidated report for the first half of 2022	v	
	Plan to take part in investment in Siemens' North American NEMA business "Lupin item)	v	
	Plan to take part in cash capital increase of Walsin Lihwa Corporation	v	
	Auditing committee's resolution (Aug. 8, 2022): The proposal was approved by all the members in attendance.		
	The company's handling of auditing committee's opinion: With abstention of the case by independent director Chen Hsiang-chung, who is also Walsin Lihwa's independent director, the proposal "authorizing the chairman to designate proper member company of the group to attend the cash capital increase at NT\$30 per share at maximum of NT\$10 million" was approved, with support of seven directors, over half of those in attendance, and three abstaining. Other proposals were approved by all the directors in attendance.		

Board of directors	Issue contents and subsequent handling	Items specified in article 14-5, Securities and Exchange Act	Approval by over two thirds of directors, without passage by the auditing committee
26-11 meeting of the board of directors (2022.9.8)	Authorization for bids for public PV power plant projects at maximum capacity of 50 MW within half a year after approval by the board of directors	v	
	Resolution of auditing committee (Sept. 8, 2022): Approval by all the members in attendance		
	The company's handling of auditing committee's opinion: Approval by all the directors in attendance		
26-12 meeting of the board of directors (2022.11.11)	The company's 2022 Q3 consolidated financial report	v	
	Resolution of auditing committee (Nov. 7, 2022): Approval by all the members in attendance		
	The company's handling of auditing committee's opinion: Approval by all the directors in attendance		
26-13 meeting of the board of directors (2022.12.23)	The company's 2023 auditing plan	v	
	Change of the execution method for the Songjiang Building reconstruction project to collaboration with Mingtai Fire& Marine Insurance	v	
	Provision of financing endorsement and guarantee for affiliates in 2023	v	
	Loaning for affiliates	v	
	Discussion on renewal of the company's credit lines provided by financial institutions scheduled for expiration in 2023	v	
	Plan for formulation of the company's management and operating procedure for handling material information and preventing insider trading"	v	
	Evaluation of the independence and competence of the company's and appointment CPA	v	
	Proposed appointment of the company's CPA and determination of compensations	v	
	Resolution of auditing committee (Dec. 19, 2022): Approval by all the members in attendance		
	The company's handling of auditing committee's opinion: Approval by all the directors in attendance		

II. The avoidance of Independent Director due to interest conflict:

1. 4-7 meeting of the auditing committee (Aug. 8, 2022)

Names of independent director: Chen Hsiang-chung

Contents of issue: Plan to take part in cash capital increase of Walshin Lihwa Corporation

Reason for abstention and voting situation: Independent director Chen Hsiang-chung, who is also independent director of Walsin Lihwa Corporation, left the meeting ground to avoid participation in the discussion and voting for the issue.

Resolution: The proposal was approved by the board of directors, as there was no objection by other directors in attendance upon inquiry by the chairman.

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 2022 are showed as follows.

Auditing committee	Communications items	Communications result
4-5 meeting (2022.3.14)	Report on internal auditing for Q4 2021	Acknowledgement without other suggestions
	Completion of self internal-control evaluation for 2021 (statement on internal control system)	Passage with no objection from members present upon inquiry by the chairman followed by submission to the board of director for resolution.
4-6 meeting (2022.5.10)	Report on internal auditing for Q1, 2022	Acknowledgement without other suggestions
4-7 meeting (2022.8.8)	Report on internal auditing for Q2, 2022	Acknowledgement without other suggestions
4-10 meeting (2022.12.19)	Report on internal auditing for Q3, 2022 (independent directors communicated with in-house auditing chief individually)	Acknowledgement without other suggestions
	2023 auditing plan (independent directors communicated with in-house auditing chief, without presence of common directors and managers)	Passage with no objection from members present upon inquiry by the chairman followed by submission to the board of director for resolution.

(III) Independent Director and CPA have good communication, and independent directors have no suggestions. Summary of communication issues in 2022 are showed as follows.

Auditing committee	Communications items	Communications results
4-5 meeting (2022.3.14)	2021 financial report and consolidated financial report	Passage with no objection from members present upon inquiry by the chairman followed by submission to the board of director for resolution.
	Effect of COVID-19 pandemic on auditing work, auditing scope, auditing results, influence of recent changes in laws/regulations, and other communications items	Acknowledgement without other suggestions
4-7 meeting (2022.8.8)	Consolidated financial report for Q2, 2022	Passage with no objection from members present upon inquiry by the chairman followed by submission to the board of director for resolution.
	Effect of COVID-19 pandemic on financial disclosure, review scope, review findings, and other communications items	Acknowledgement without other suggestions
4-9 meeting (2022.11.7)	Consolidated financial report for Q3, 2022 (independent directors communicated with certified public accountants, without presence of common directors and managers)	Passage with no objection from members present upon inquiry by the chairman followed by submission to the board of director for resolution.
4-10 meeting (2022.12.19)	Audit Quality Indicators (AQI), important revisions to the Code of Ethics for International Professional Accountants (IESBA Code) and other communication matters	Acknowledgement Suggestion from independent director Hsieh-Hsing Huang: Ask accountants to assist TECO Group in conducting health checks for profit-making controlled foreign companies (CFCs)

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 nine times from 2013 to 2022 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 board of directors in 2022 was 99%. 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>(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 Principles for TWSE/GTSM Listed Companies". Since 2015, at the end of every</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>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 20st 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-l (executive member), Yi-Fang Tsai (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 future business plans and major agendas. After building a consensus,</p>	

Evaluation items	Implementation Status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
			<p>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 (2021.3.23)</p> <p>Improvement Plan:</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>1. Self-evaluation Questionnaire of Board Member Assessment and Self-evaluation Questionnaire of Functional Committee in 2021 has added rating bases.</p> <p>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.</p> <p>In addition, the secretariat of the board of directors launched 2022 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.</p> <p>The above 2022 annual board performance evaluation report has been submitted to the 14th meeting of the 26th term board (February 17, 2023)</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 standards, in terms of independence and suitability, proving their qualification to</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	
			become the company's contracted CPA, finding which was approved by the 4th meeting of the 4 th term of audit committee (2022.12.19) and the 13th meeting of the 26th term of the board of directors (2022.12.23)	
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:</p> <p>(1) Handle matters related to the meetings of the board of directors and shareholders meeting according to law.</p> <p>(2) Prepare the minutes of the board of directors and shareholder meetings.</p> <p>(3) Assist directors and supervisors in their appointment and continuing education.</p> <p>(4) Provide directors and supervisors with the information needed to execute their business.</p> <p>(5) Assist directors and supervisors to comply with laws and regulations.</p> <p>(6) Report to the board of directors the results of its review of whether the qualifications of independent directors comply with relevant laws and regulations at the time of nomination, election and during their tenure.</p> <p>(7) Handle matters related to the change of directors.</p> <p>(8) Other matters stipulated in the company's articles of association or contract.</p> <p>According to article 36-3 of " Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" , Director Shih-Hsiung Chien has completed 20 hours in 2022:</p> <ul style="list-style-type: none"> ● On May 12, 2022, Twin-Summit Forum (2hrs) ● On June 22, 2022, Corporate Governance and Business Operation Seminar (3 hours) ● On June 28, 2022, An Era of Upheaval, Exploring the Core Competence of the Next Generation(3 hours) ● On July 20, 2022, Board and Functional Committee Performance Evaluation Seminar forum (3 hours) ● On Aug 15, 2022, Outlook for the overall 	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>global economic situation in the second half of 2022 (3 hours)</p> <ul style="list-style-type: none"> ● On Oct 25, 2022, The latest international ESG policy and trend analysis (3 hours) ● On Dec 23, 2022, Normative development in a confrontational international order: From the regulation of core key technologies to global artificial intelligence (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		<p>The company attaches great importance to stakeholders' attention to issues and communication channels. It has smooth communication channels with stakeholders in various fields such as shareholders, employees, customers, suppliers, local communities, NGOs, and government units. Regular / irregularly publish information or communicate directly with stakeholders, respect and maintain their legitimate rights and interests, and implement corporate governance integrity and transparency (See Note 3: Issues which stakeholders focus and communication channel).</p> <p>Set up a corporate social responsibility / TECO sustainable commitment / stakeholder communication area on the company's website, and a dedicated person will respond to important corporate social responsibility issues that stakeholders are concerned about.</p>	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “
VI. Whether the company has entrusted professional stock-affairs agent to handle shareholder' meeting?	V		<p>The company has entrusted a professional stock agency to handle the affairs of the shareholders' meeting. Stock agency: Taishin Securities Co., Ltd. stock agency (Tel: 886-2-2504-8125, Address: B1, No. 96, Sec. 1, Jianguo N. Rd, Zhongshan Dist., Taipei City).</p>	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “
<p>VII. Information disclosure</p> <p>(I) Whether the company has installed website for publication of information on finance, business, and corporate governance?</p> <p>(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)?</p> <p>(III) Does the company release the annual financial report within two months after the end of the fiscal year, and announce and</p>	V		<p>(I) The company institutes website for disclosing the status of finance and corporate governance. The address of the corporate website: www.teco.com.tw.</p> <p>(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.</p> <p>(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.</p>	<p>(I) Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “.</p> <p>(II) Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “.</p> <p>(III) Compliance with “Corporate Governance Best-Practice</p>

Evaluation items	Implementation Status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
declare the first, second, and third quarter financial reports and the monthly operating situation within the prescribed time limit?			Because there are hundreds of consolidated entities, temporarily not been able to announce and declare the annual financial report within two months after the end of the fiscal year. 2022 Annual financial statements have been announced and declared on 2023.3.16.	Principles for TWSE/GTSM Listed Companies“
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 	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>ascertain the effectiveness of the company's internal control system, as shown in the low risks of various environmental indicators in 2022.</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 (2022 and 2023) was delivered at the 6nd meeting of the 26th board of directors (3.16.2022) and 14th meeting of the 26th board of directors.(2.17.2023)</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.</p> <p><u>The situation has been improved:</u></p> <ul style="list-style-type: none"> There were no extraordinary motions at the 2022 Annual General Meeting of Shareholders, and there were no changes to the agenda within 7 days before the meeting. More than half of the directors and the convener of the audit committee attend the regular shareholders' meetings on their own, and disclose the list of seats in the minutes. All the directors (including the independent directors) of the company completed the advanced training according to the number of hours for the directors and supervisors of listed OTC companies to carry out the training and implementation of key regulations in 2022. <p><u>Priorities and measures for strengthening:</u></p> <ul style="list-style-type: none"> The Company will continuously diversify the board and improve the proportion of female directors and independent directors. 	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “

Note 1: Implement of corporate governance and sustainability committee

In order to establish a good governance system, rationalize and strengthen management function, fulfill corporate social responsibilities, and attain sustainable development, the company's 25th board of directors resolved in its third meeting (on Aug. 13, 2018) to set up "corporate governance and sustainability committee." The committee consists of more than three directors, over half of them independent directors, with convener and chairman of committee meetings being served by an independent director to be elected by committee members. According to the company's "organization regulations for corporate governance and sustainability committee," the committee convenes at least twice a year and is in charge of reviewing the soundness of the company's corporate governance organization and system, the nomination of the candidates for directors and independent directors, supervision of the fulfillment of corporate social responsibilities and attainment of sustainable development, and strengthening of the operation and management of the units under the direct jurisdiction of the board of directors, among others.

Status of attendance for the two meetings of the committee in 2022:

Title	Name	Actual attendance Times	Attendance rate (%)	Note
Convener and chairman	Li-Chen Lin	2	100%	Law, Management and ESG professional
Member	Hsieh-Hsing Huang	2	100%	Accounting and Electrical vehicle professional
Member	Shiang-Chung Chen	2	100%	Management and New energy professional
Member	Chwen-Jy Chiu	2	100%	Finance and Management
Member	Show-Shoun Chou	2	100%	Management and Government strategy

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	Items	Results
2-3 meeting (2022.1.17)	1. 2022 working plans of the company's "ESG promotion office," "corporate governance center," "legal compliance and affairs office," "information-security committee"	1. Major work items of the "ESG promotion center": targets of 50% emission reduction by 2030 and materialization of carbon neutrality by 2050. 2022 action plan- environmental aspect: formation of energy conservation/green power program; social aspect: employee care, ESG internalization, resource pooling for engagement in social care; corporate government aspect: intensified collaboration and communications with stakeholders 2. Major work items of the "corporate governance center": intensified communications with investors, strengthening of the functions of the board of directors, enhancement of information transparency, and retention of top 5% in corporate governance evaluation. 3. Major work items of the "legal compliance and affairs office: compliance with securities-related laws/regulations; legal compliance promotion/education and training (intellectual property, corporate securities trading, fair trade, ethical management, individual information) 4. Major work items of the "information security committee":

Corporate governance and sustainability committee	Items	Results
		materialization of measures governing information security, deployment of information management system, enhancement of employees' information-security awareness, execution of information-security health check. The aforementioned 2022 working plans were approved with no objection from members in attendance upon inquiry by the chairman.
	2. Revision of the company's "corporate governance best practice principles"	The revision was approved with no objection from members in attendance upon inquiry by the chairman followed by submission to the board of directors for resolution.
	3. Revision of the company's "corporate social responsibility best practice principles"	The revision was approved with no objection from members in attendance upon inquiry by the chairman followed by submission to the board of directors for resolution.
2-4 meeting (2022.8.8)	1. Reports on execution status of the working plans of "ESG promotion office," "corporate governance center," "legal compliance and affairs office," and "information security committee" for the first half of 2022.	Acknowledgement
	2. Appointment of the company's information-security chief officer	The proposal was passed, according to which president Thomas Fann serve as the chief information security officer with a one-year term, in charge of overseeing the establishment of information-security systems by various units and perfecting information-security education and training, plus presentation of annual working plan in the next meeting of the corporate governance and sustainability committee. Whether to hire an information specialist to serve as the chief information security officer will be considered in the future.

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
C. Competence review			
Evaluation item		Explanation of evaluation contents	Evaluation result
01	Whether or not the certified public accountant was punished by the CPA Discipline Committee on record in recent two years? Whether or not the accounting firm was involved in major litigation in recent two years?	According to inquiry result for CPA disciplinary information, there is no disciplinary record for both appointed CPAs Wu Yu-lung and Chou Chien-hung. PwC has a policy conducting quality control review on its franchise accounting firms according to its auditing standards and ISA (international standard of auditing). CPAs Wu Yu-lung and Chou Chien-hung both have no defect on record in previous quality control reviews. The quality of their auditing works meets related professional standards in evaluation.	Good
02	Whether or not the accounting firm has sufficient scale, resources, and area coverage for offering corporate auditing service?	The accounting firm is the Taiwanese franchisee of PwC, the world's largest accounting firm, boasting 743 branches and franchisees in 158 countries, with 250,000 professionals in total. PwC is the leading accounting-service provider in many major countries and areas, including the U.K., China, Germany, Australia, Korea, the ASEAN, and the Middle East, with the largest market share in the Asia-Pacific region. Of Global Fortune 500, 429 companies (86%) are PwC customers, with the number of its customers worldwide topping 100,000. PwC's local partners worldwide can handle the group's local affairs.	Good
03	Whether or not the accounting firm has definite quality control procedure to assure the quality of financial report?	The appointed accounting firm has formulated definite quality control procedure, to reasonably assure the effective execution of quality control, covering the "accounting firm quality control" specified in Statement of Auditing Standards No. 46,	Good

		plus review of financial report quality for listed companies by in-house ARM (assurance risk management) and ACS (accounting consultant service) units.	
04	Whether or not the accounting firm notify the board of directors timely any obvious problems and development in risk management, corporate governance, finance/accounting, and other risk management-related affairs?	The appointed accounting firm would communicate with the company's management and auditing committee on its auditing findings and take part in discussion on key issues beforehand in past years.	Good

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 ● On-line earnings call---4 times 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". ● 2022 corporate governance evaluation ranked top 5% for the 8th consecutive year. ● 35 major information releases and announcements in Chinese and English respectively. ● Amends the articles of association at 2022 shareholders' meeting (May 20, 2022). ● 4 on-line earnings call were held, uploaded Chinese/English audio and video links. Announced Chinese/English Shareholder letter on website. ● Invited to attend 9 investment forums both at home and abroad. ● Received 105 visits of investors (excluding investment forums and broker analysts) (including 13 visits of foreign investors), and paid 16 trips to brokers.
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 Lin cplin@teco.com.tw 	<ul style="list-style-type: none"> ● Labor-management conferences: 13 meetings at four plants in total in 2022 ● 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: 12 meetings at four plants in total in 2022 ● Employee quarterly meeting: 4 meetings in 2022 in total, provided equal opportunities to employees from all plants through communication software tools. ● Employee satisfaction survey: Knew the opinions of employees and executives through the survey. ● Illegal infringement/complaint: 4 cases in total (2 of which were pending appeals) ● E-board: Irregularly announce various employee welfare matters (health examination, group insurance, etc.), welfare committee information, important operation information of the Company, education and training course information, annual performance

Stake holders	Issue	Communication channel/response method/frequency	Communication efficiency/achievement
			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 (Oct-Nov 2022), internal audit, process audit and product audit of the quality control system. ● 3 Media Press Conference (3 times) ● Attended 5 Exhibition (Hannover Messe, Automation Exhibition, Smart City Exhibition, Kaosiung Food Exhibition, Taipei Home Appliance Exhibition). ● 25 news papers on the official website, 50 mails. ● 101 FB; Reply 84 FB, 42 Youtube videos. ● Green Minds Creative Competition for Primary and Secondary schools.
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 ● 100% major suppliers have signed the ESG commitments. ● Held a total of 2 sustainable supply chain forums, tutoring 6 suppliers to communicate sustainable issues: ESG, carbon neutral, etc.
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 ● 1,154 employees participated in public activities with 1,592 voluntary hours.
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"> ● Issued corporate sustainability report every year, won the Taiwan Enterprise Sustainability platinum Award for eight consecutive years. ● 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	<ul style="list-style-type: none"> ● Irregular attendance in symposiums and public hearings on regulations held by authorities concerned ● Work with the competent 	<ul style="list-style-type: none"> ● Pursuant to OHSAS (Occupational Health and Safety Assessment Series) 18001 and CNS 15506 under Taiwan Occupational Safety & Health Management System, the company has set up an OSHMS for

Stake holders	Issue	Communication channel/response method/frequency	Communication efficiency/achievement
	emission Environmental protection Energy management	authority in auditing and supervision ● Contact window: (Spokesperson) Chien Director speaker@teco.com.tw	efficient management to secure employees' occupational safety and health

3.3.4 Compensation Committee

1. Information on Members of Compensation Committee

Criteria		Professional qualifications and experience	Independence Criteria	Number of part-time positions on the compensation committees of other companies
Roles	Name			
Independent Director	Shiang-Chung Chen	Please refer to Page 12 disclosed information about director qualification and independence.	According to the company's articles of Incorporation and the "Corporate Governance Best Practice", directors are selected through a candidate nomination system. When nominating and selecting board members, the company has obtained written statements, work experience, and current incumbents from each director. Certificate, and kinship table to verify the independence of the self, spouse and relatives within the third degree relative to the company. The company has also verified that the four independent directors listed on the left have complied with the "Regulations on the Appointment of Independent Directors of Public Offering Companies and Matters to Be Followed" promulgated by the Financial Supervisory Commission and Article 14 of the Securities and Exchange Law in the two years before the election and during their tenure. The qualification requirements stipulated in the second, and all independent directors have been given the power to fully participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act, and independently perform relevant functions and powers.	1
Independent Director	Wei-Chi Liu			2
Independent Director	Hsieh-Hsing Huang			1
Independent Director	Li-Chen Lin			0

Criteria		Professional qualifications and experience	Independence Criteria	Number of part-time positions on the compensation committees of other companies
Roles Name				
External Expert	Kung-Yeun Jeng	<p>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 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. Without cases mentioned in various clauses of Article 30 of Company Law.</p>	During the two years prior to his appointment and during his tenure, he did not violate the independence provisions of Article 6 of the "Regulations on the Establishment and Exercising of Functions and Powers of the Company's Salary and Remuneration Committee for Stocks Listed or Traded at Securities Firms' Business Places"	0

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(A) .
The attendance and qualifications of committee members is as following:

Title	Name	Number of attendance (B)	By Proxy	Attendance rate (%) (B/A)	Remarks
Convener and chairman	Shiang-Chung Chen	3	0	100%	
Member	Wei-Chi Liu	3	0	100%	
Member	Kung-Yeun Jeng	3	0	100%	
Member	Hsieh-Hsing Huang	3	0	100%	
Member	Li-Chen Lin	3	0	100%	
Member	Pen-Ching Cheng	3	0	100%	

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.
2. If a member opposes or has reservation, on record or in written form, about the resolutions of the compensations committee.
3. Summary of main subjects of communication and results in 2022

Compensation committee	Communication Item	Communication Result
5-3 (February 21, 2022)	The discussion proposal on the amendment of the Company's Directors' Remuneration Distribution method.	It is suggested to revise and adjust the content and retry the calculation to be amended.
	The proposal on the Company's 2021 remuneration distribution for directors	Approved, submit to board of directors for resolution
	The proposal on the Company's 2021 remuneration distribution for employees	Approved, submit to board of directors for resolution
	Discussion proposal on performance and salary adjustment of managers appointed by the company	Approved, submit to board of directors for resolution
5-4 (March 28, 2022)	Discussion on the Retirement Pension of the appointed manager of the company.	Approved, submit to board of directors for resolution
	Discussion on the Remuneration of the appointed manager of the company.	Approved, submit to board of directors for resolution
	Discussion on director of TECO group research institute Kun-Yao Ho remuneration	Approved, submit to board of directors for resolution
5-5 (Dec 29, 2021)	The company's 2023 directors, supervisors and important staff liability insurance report	Notification.
	Report on distribution of remuneration to executive manager in 2021	Notification.
	Report on distribution of 2022 year-end bonuses among managers	Notification.
	Discussion on the structure and salary adjustment of the company's manager	Approved, submit to 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		<p>1. The Company sets up "ESG Promotion Office" in January 2022 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.</p> <p>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.</p> <p>3. The working plan for 2022 has been submitted to the 2nd meeting of the 3rd corporate governance and sustainability committee (January 17, 2022) and the 6th meeting of the 26th board of directors (March 16, 2022). The relevant implementation report has been submitted to the 2nd meeting of the 4th corporate governance and sustainability committee (August 8, 2022) and the 10th meeting of the 26th board of directors (August 12, 2022). The directors in 2022 suggested the operation team should :</p> <ul style="list-style-type: none"> ● Strengthen the explanation of the cost and benefit of implementing various sustainable development projects such as emission reduction. ● Strengthen the exposure of positive operational issues, allowing investors to understand the company's strategic development more correctly and enhance the positive image. ● Information security incidents are professional and complicated, and it is necessary to continuously improve the knowledge of all colleagues and strengthen the improvement of related deficiencies in information security management. 	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	V		<p>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 13th meeting of the 26th board of directors (December 23, 2022) and disclosed on the official website of the</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																
strategies? (Note2)			<p>Company.</p> <p>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, 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 2022 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 2022, 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 ESG 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.</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.
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.																		

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></td><td></td><td>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><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 and Coaching supply chain transformation.</td><td>Build four production centers to offset the negative impact from climate and political changes. Implementation of supply chain greenhouse gas inventory guidance for small and medium-sized enterprises.</td></tr><tr><td>Smart low carbon factory</td><td>Development of new low-carbon products and build virtual power plants and microgrid operating capabilities+.</td></tr></table>	Material issue	Risk assessment Item	Remark			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.	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 and Coaching supply chain transformation.	Build four production centers to offset the negative impact from climate and political changes. Implementation of supply chain greenhouse gas inventory guidance for small and medium-sized enterprises.	Smart low carbon factory	Development of new low-carbon products and build virtual power plants and microgrid operating capabilities+.	
Material issue	Risk assessment Item	Remark																	
		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.																	
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 and Coaching supply chain transformation.	Build four production centers to offset the negative impact from climate and political changes. Implementation of supply chain greenhouse gas inventory guidance for small and medium-sized enterprises.																	
	Smart low carbon factory	Development of new low-carbon products and build virtual power plants and microgrid operating capabilities+.																	
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 70%● 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 85% 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 “															

Promotion items	Execution			Discrepancy with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
(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 reduction, water use reduction or other waste management?			<ul style="list-style-type: none"> Greenhouse-gas emission volume: TECO conducts inventory of greenhouse-gas emission volume (scope 1 and 2) for factory premises in Taiwan, China, Vietnam, the U.S., and Italy and subjects the results to ISO 14064-1 verification, to assure the accuracy of inventory data. * With 2020 as the base year for calculation, total carbon emission volume (scope 1 and 2) reached around 69,200 metric tons CO₂e/year, attaining the emission reduction target of 74,200 metric tons CO₂e/year for the year. * In line with the requirement of the Financial Supervisory Commission, the company plans to set up five more stations, to expand management scope, with total emission volumes being in 2023: -- Direct emission volume (scope 1): around 21,909 metric tons of CO₂e/year -- Indirect energy emission volume (scope 2): around 59,200 metric tons of CO₂e/year -- Other indirect emission volumes (scope 3): around 134,600 metric tons of CO₂e/year (Taiwan area) Water consumption volume: A total of 367 million cubic meters. With 2020 as base year, TECO has aimed to cut water consumption volume by 5%, setting consumption target at 387 million cubic meters. Wastes: Total nonhazardous wastes volume (common and recycled for reuse) around 27,700 metric tons, including 890 metric tons of hazardous wastes., TECO aimed to cut waste density to 1.01 in 2022, down from 1.3 in the base year 2020 (5% annual reduction target). For finalized data, please refer to 2022 sustainability report Greenhouse-gas emission volume. 	Compliance with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “
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?			1. Sharing of management results <ul style="list-style-type: none"> Materialize performance management system, linking employee compensations to corporate business performance, so as to inspire sense of mission for works among employees. The corporate charter calls for appropriation of up to the company's annual profits as employee-compensations payout. In addition, the "evaluation measures for year-end bonus" mandates the company to set aside a certain percentage of operating income for payout of year-end bonus for employees. Criteria for payout of special bonus" is applicable to 	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>managers and higher-ranking officials, setting the amount of bonus according to personal performance to be paid out quarterly in the following two years, with the amount associated with their KPI scores in the previous quarter. KPI is an performance indicator set for units and individuals and is associated with sustainability index for employees related to sustainability program. Meanwhile, for the sake of balancing gender structure, the company has assure vacancies for female promotion via KPI indicator, thereby having raised female share in promotion to 31.4%, up from 30.4% three years ago.</p> <ul style="list-style-type: none"> ● The shareholding identification association was established in 2020, consisting of managers or high-ranking officials with corporate shareholding which they purchase in the form of shareholding trust with part of the special bonus given by the company. There is also employee shareholding association, consisting of managers or higher-ranking officials with shareholdings which they purchase in the form of shareholding trust with money half appropriated from their monthly pays and the other half contributed by the company. TECO will continue optimizing long-term compensations measures and raise the share of sustainability indicator in the performance evaluation indicator for employees. <p>2. Employee welfare measure:</p> <ul style="list-style-type: none"> ● 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-taking rate of each unit and includes it in the annual performance evaluation index of the executives. <ol style="list-style-type: none"> (1) 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 (2) 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 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. (3) Miscarriage prevention: If an employee needs to take a leave for miscarriage prevention during pregnancy, she may take such leave up to 10 days with full salary paid, better than 7 days according to the current regulations. (4) 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. ● Wedding gratuity: When the employees or their children get married, TECO executives will extend our 	

Promotion items	Execution			Discrepancy with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
			<p>congratulations along with a marriage allowance.</p> <ul style="list-style-type: none"> ● 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. ● 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. 	
(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: 1.66 ● Disabling injury severity rate SR: 74 ● Statistics of workplace disaster-related events: 16 events (2 events in Taiwan plants, 10 events in Mainland China plants, 4 events in Italy plants. ● Review and improve through accident investigation and analysis, re-examine the safety of facilities and equipment, and promote employees to wear appropriate protective equipment and operate in accordance with procedures, so as to enhance employees' safety and hygiene awareness and ensure employees' work safety. ● The above data are finally subject to the confirmed data in the 2022 Sustainability Report. 	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, 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 – 5 online courses in cooperation with the Hahow training platform. 200 employees completed 1666.2 hours of training, so as to achieve the goal of encouraging employees to learn digital knowledge and skills independently. Another 17 online courses (approximately 61 hours) were purchased for independent study by colleagues. A total of 2097 people completed the study, with a total of 11396.8 hours of study hours 2. Digital transformation project – Held an internal digital project competition, experienced problem thinking, plan 	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>proposal, POC and result review, a total of 6 teams completed the test and achieved preliminary results, assisted the company in optimizing product development, process services and operation management, and became the core of internal improvement Exemplary representatives.</p> <p>3. Digital Seed Cultivation Courses: This year, 6 basic digital courses (covering digital introduction, RPA application, data science, BI, etc.) will be organized in cooperation with external consulting companies and the Brake Association to strengthen colleagues in various fields. optimization awareness. A total of 65 person-times of training have been completed, with a total of 265.5 hours of learning hours.</p> <p>Supervisor Training Supplement:</p> <p>1. Middle-level supervisor training: 4 courses, new generation management and leadership, subordinate development and guidance, financial statement reading analysis and cost concept, strategic thinking establishment, a total of 32 people participated in the training, and 14 people completed the training.</p> <p>2. General general training (prevention of workplace bullying and sexual harassment, gender equality, international political and economic trends and analysis) was completed, with a total of 300 people trained and a total of 568 hours of learning.</p> <p>The development training plan established by the company for employees covers newcomer training, understanding the head office and factory environment, supplemented by instructions on company culture and performance evaluation system, to help newcomers quickly understand the company; Supervisor training and mid-level reserve supervisor training, an annual training plan for new supervisors and 5-8 grade supervisors who are ready for promotion; the professional training level is based on the TECO Institute structure for core functions, professional functions and general policy functions. The core function is to establish the cost concept, business management awareness and information security risk of the company's supervisors; the professional function covers the general knowledge of the marketing business and R&D grades, as well as the technical courses of motors, electric controls, electricity, appliances, and refrigeration and air conditioning. Cultivate talents' basic professional skills and general knowledge to achieve the goal of multi-disciplinary cultivation and development across grades. This year, digital skills courses, digital transformation projects, and digital seed cultivation courses are completed, which are combined with reserve supervisor training, core functions and professional common functions training (international political and economic trends and analysis of workplace bullying and sexual harassment prevention and gender equality); various institutions offer technical course.</p>	
(V) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, has the company followed relevant			<p>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 2022, the sales volume of high-efficiency motors account for more than 60%. TECO continues to promote replacement, provide sustainable power for the future.</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	
regulations and international standards, and formulated relevant consumer or client protection policies and appeal procedures?			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 and import R32 environmentally friendly refrigerant and environmentally friendly material, 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.	
(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 sustainability report is compiled with contents and framework in line with the core items of the GRI standards publicized by the Global Reporting Initiative (GRI), while environmental and greenhouse-gas inventory is carried out with contents and framework following the suggestions of TCFD (Task Force on Climate-Related Financial Disclosures). Meanwhile, accuracy of the sustainability report is assured by BSI according to AA1000 V3 first-category medium-guarantee standards.	Compliance with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “
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	
<p>I. Formulate policy and program for ethical corporate management</p> <p>(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</p> <p>(II) Whether the company has established an assessment mechanism for the risk of unethical, regularly analyzes and evaluates business activities with a high risk of unethical in the business scope, and accordingly formulates a plan to prevent unethical, and at least cover the preventive measures for the conduct of the second paragraph of Article 7 of the "Code of Integrity Management of Listed OTC Companies"</p>	V		<p>(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.</p> <p>(II) The company's board of directors decided on November 12, 2019 to amend the company's " Ethical Corporate Management Best Practice Principles ", clearly listing the evaluation mechanism for the risks of unethical business activities, preventing from items of the scope covering various behaviors of article 7-2 of "Code of Integrity Management of Listed Companies" (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</p>	<p>Compliance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”</p>

Evaluation items	Execution (note 1)			Difference with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
	Yes	No	Summarized Explanation	
(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>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 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>	
<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</p>	V		(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	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>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> <p>(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.</p>			<p>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 17, 2022, August 8, 2022, 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 2022 of the board of directors on March 16 and August 12). 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 2022 in accordance with the measures in 2022. The risk analysis and preventive measures plan for unethical behavior in 2023 was updated on December 16, 2022.</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 express their opinions or appeal.</p> <p>(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 19, 2022) and the board of directors (Dec 23, 2022) 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</p>	

Evaluation items	Execution (note 1)			Difference with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
	Yes	No	Summarized Explanation	
(V) Whether the company had held internal or external education and training regularly on ethical corporate management.			<p>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 10, 2022) and board meeting (March 15, 2022). 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.</p> <p>(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 September 16, 2022, December 9, 2022 and December 23, 2022. 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 801 employees/times participated and a total of more than 41,560 minutes. November 28, 2022, 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 the employees of TECO have promoted the completion of the "Integrity Statement" (signing rate 100% of in-service employees in 2022), 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.</p>	

Evaluation items	Execution (note 1)			Difference with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summarized Explanation	
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 Best Practices Principles” on its website and the implementation effect.	V		(I) The company places relevant norms and publicity information on integrity management on its internal website for colleagues to inquire at any time. TECO’s external website (https://www.teco.com.tw) placed the annual report under “Investor Relations” (also placed at the Public Information Observatory) and corporate governance/management team and internal rules of the organization under “About TECO”, and the corporate social responsibility report under Corporate Social Responsibility are also fully disclosed with the relevant policy requirements, rules and regulations and information on integrity management.	Compliance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies
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,				

Evaluation items	Execution (note 1)			Difference with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summarized Explanation	
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"; 2022/4/24 announced the establishment of the "Supplier Code of Conduct"; 2022/9/14 announced the revision of "TECO Group's Business Secret Protection Policy".				

3.3.7 Corporate Governance Guidelines and Regulations

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

3.3.8 Other Important Information Regarding Corporate Governance

A. The important information regarding corporate governance has been disclosed on Market Observation Post System (b) conforming 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	Feb 10, 2022	Taiwan Investors Relation Institute	The 27th CEO talk and Special Lecture	2 hrs
		Apr 28, 2022	Taiwan Investors Relation Institute	The 28th CEO talk and Special Lecture	2 hrs
		Aug 5, 2022	Taiwan Investors Relation Institute	Outlook for the overall global economic situation in the second half of 2022	3 hrs
		Dec 23, 2022	Taiwan Investors Relation Institute	Normative development in a confrontational international order: From the regulation of core key technologies to global artificial intelligence governance	3 hrs
Director	Tong Ho Global Investment Co., Ltd. Representative: Cheng-Tsung Huang	Aug 15, 2022	Taiwan Investors Relation Institute	Outlook for the overall global economic situation in the second half of 2022	3 hrs
		Dec 20, 2022	Taiwan Investors Relation Institute	Normative development in a confrontational international order: From the regulation of core key technologies to global artificial intelligence governance	3 hrs
Director	Show-Shoun Chou	Aug 15, 2022	Taiwan Investors Relation Institute	Outlook for the overall global economic situation in the second half of 2022	3 hrs
		Dec 23, 2022	Taiwan Investors Relation Institute	Normative development in a confrontational international order: From the regulation of core key technologies to global artificial intelligence governance.	3 hrs

Title	Name	Date	Organizer	Training Course	Time
Director	Ho Yuan International Investment Co., Ltd. Representative: Pen-Ching Cheng	May 12, 2022	TWSE, Alliance Advisors, Taiwan Corporate Governance Association	Twin-Summit Forum	2 hrs
		Aug 15, 2022	Taiwan Investors Relation Institute	Outlook for the overall global economic situation in the second half of 2022	3 hrs
		Oct 12, 2022	Securities and Futures Institute	111 Year Insider Equity Trading Act compliance publicity briefing.	3 hrs
Director	Yinge Int. Inv. Co., Ltd Representative: Li-Chong Huang	Mar 10, 2022	QIC, Georgeson, TWSE		1 hr
		May 12, 2022	TWSE, Alliance Advisors, Taiwan Corporate Governance Association	Twin-Summit Forum	2 hrs
		Aug 15, 2022	Taiwan Investors Relation Institute	Outlook for the overall global economic situation in the second half of 2022	3 hrs
		Oct 12, 2022	Securities and Futures Institute	111 Year Insider Equity Trading Act compliance publicity briefing.	3 hrs
		Nov 14, 2022	TWSE	Finance and Climate Change Submmmit	3 hrs
		Dec 23, 2022	Taiwan Investors Relation Institute	Normative development in a confrontational international order: From the regulation of core key technologies to global artificial intelligence governance	3 hrs
Director	Creative Sensor Co., Ltd. Representative: Johnson Hou	June 3, 2022	Taiwan Corporate Governance Association	On the evaluation and Execution of Investment Mergers and Acquisitions from a Legal Viewpoint	3 hrs
		Jun 28, 2022	Taiwan Institute of Directors	2022 Annual Meeting of the Institute of Directors: An Era of Upheaval, Exploring the Core Competence of the Next Generation	3 hrs
		Aug 5, 2022	Taiwan Corporate Governance Association	Company Act Compliance and Supervisory Duties of Directors	3 hrs
Director	Song-Ren Fang	Mar 3, 2022	Taiwan Corporate Governance Association	The only way to sustainable management of enterprises-external innovation	3 hrs
		July 27, 2022	TWSE and Taipei Exchange	Sustainable Development Roadmap Industry Theme Publicity Conference	2 hrs
		Aug 15, 2022	Taiwan Investors Relation Institute	Outlook for the overall global economic situation in the second half of 2022	3 hrs
Independent Director	Wei-Chi Liu	Apr 12, 2022	Taiwan Corporate Governance Association	Talking about how enterprises can effectively maintain brand value from recent cases of famous trademarks	3 hrs
		May 6, 2022	Taiwan Corporate Governance Association	Normative development in a confrontational international order: From the regulation of core key technologies to global artificial intelligence governance	3 hrs

Title	Name	Date	Organizer	Training Course	Time
Independent Director	Hsieh-Hsing Huang	August 15, 2022	Taiwan Corporate Governance Association	Analysis of the latest tax laws and practices in the first half of 2021	3 hrs
		Dec 23, 2022	Taiwan Corporate Governance Association	Normative development in a confrontational international order: From the regulation of core key technologies to global artificial intelligence governance.	3 hrs
Independent Director	Li-Chen Lin	Jun 28, 2022	Taiwan Institute of Directors	2022 Annual Meeting of the Institute of Directors: An Era of Upheaval, Exploring the Core Competence of the Next Generation	3 hrs
		Aug 24, 2022	Taiwan Corporate Governance Association	Strategic Thinking on the Reorganization of Group Enterprises (Including IPO in Mainland China)	3 hrs
		Aug 15, 2022	Taiwan Investors Relation Institute	Outlook for the overall global economic situation in the second half of 2022	3 hrs
Independent Director	Shiang-Chung Chen	Oct 25, 2022	Taiwan Corporate Governance Association	2022 Research and Outlook on Important Economic and Trade Issues	3 hrs
		Nov 4, 2022	Taiwan Corporate Governance Association	Walshin Technology's growth in passive components	3 hrs

C. Advanced studies for managing officers in 2022:

Title	Name	Date	Organizer	Traning course	Time
President	Thomas Fann	Aug 15, 2022	Taiwan Investors Relation Institute	Outlook for the overall global economic situation in the second half of 2022	3 hrs
		Dec 23, 2022	Taiwan Investors Relation Institute	Normative development in a confrontational international order: From the regulation of core key technologies to global artificial intelligence governance.	3 hrs
Business Group President	Fei-Yuan Kao	Aug 15, 2022	Taiwan Investors Relation Institute	Outlook for the overall global economic situation in the second half of 2022	3 hrs
		Dec 23, 2022	Taiwan Investors Relation Institute	Normative development in a confrontational international order: From the regulation of core key technologies to global artificial intelligence governance.	3 hrs
Business Group President	Sung-Pin Chang	Aug 15, 2022	Taiwan Investors Relation Institute	Outlook for the overall global economic situation in the second half of 2022	3 hrs
		Dec 23, 2022	Taiwan Investors Relation Institute	Normative development in a confrontational international order: From the regulation of core key technologies to global artificial intelligence governance.	3 hrs

Title	Name	Date	Organizer	Traning course	Time
Business Group President	Chi-Tseng Peng	Aug 15, 2022	Taiwan Investors Relation Institute	Outlook for the overall global economic situation in the second half of 2022	3 hrs
		Dec 23, 2022	Taiwan Investors Relation Institute	Normative development in a confrontational international order: From the regulation of core key technologies to global artificial intelligence governance.	3 hrs
Corporate Governance Officer	Shih-Hsiung Chien	May 12, 2022	TWSE	Twin-Summit Forum	2 hrs
		June 22, 2022	Taiwan Financial Research Institute	Corporate Governance and Business Operation Seminar	3 hrs
		Jun 28, 2022	Taiwan Institute of Directors	2022 Annual Meeting of the Institute of Directors: An Era of Upheaval, Exploring the Core Competence of the Next Generation	3 hrs
		July 20, 2022	Taiwan Corporate Governance Association	Board and Functional Committee Performance Evaluation Seminar	3 hrs
		Aug 15, 2022	Taiwan Investors Relation Institute	Outlook for the overall global economic situation in the second half of 2022	3 hrs
		Oct 25, 2022	Taiwan Investors Relation Institute	The latest international ESG policy and trend analysis	3 hrs
		Dec 23, 2022	Taiwan Investors Relation Institute	Normative development in a confrontational international order: From the regulation of core key technologies to global artificial intelligence governance.	3 hrs
Accounting Chief	Tommy Wu	Aug 15, 2022	Taiwan Investors Relation Institute	Information security and risk trend analysis in the second half of 2022	3 hrs
		Dec 23, 2022	Taiwan Investors Relation Institute	Normative development in a confrontational international order: From the regulation of core key technologies to global artificial intelligence governance.	3 hrs

D. The situation of resignation in the Company:

Title	Name	On Board Date	Date of resignation	Reason
Director	Johnson Hou	Dec 31, 2021	Dec 22, 2022	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.

Joining TECO Group on April 7, 2022, president Thomas Fann has extensive international and industrial experience and is an instructor at the Taidah Entrepreneurship Center of the National Taiwan University (NTUTEC). Fan boasts abundant management experience with such stints as president of Ford Lio Ho Motor Co., Ltd., president and executive committee chairman of Jiangling Motors Co., Ltd., an affiliate of Ford Motor in mainland China, and advisor to chairman, Foxconn Interconnected Technology Ltd., with worksites spanning Taipei, mainland China, North America, and Europe. Since assuming the presidency, he has spared no effort in cultivating next-generation ranking managers via a mentorship program in which managerial candidates receive instructions from five ranking managers regularly in 2022, as well as dispatch of two executives to work in the U.S. and China as part of job rotation.

3.3.9 Internal Control System

1. Please refer to page 83 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 3, 2022 The board of directors resolved to convene a regular shareholder meeting on 05/20/2022 at the No. 11, Andong Rd, Zhongli District, Taoyuan City (Zhongli Plant of the Company), and the period of cessation of transfer is 03/22/2022~05/20/2022.
- March 16, 2022 (1) 2021 consolidated financial report resolved by the board of directors, which shows that consolidated operating revenue stood at NT\$52,557,027 thousand, net profit reached at 5,502,191 thousand and net income attributable to the parent company is NT\$5,013,134 thousand, with earnings per share reaching NT\$2.38.
- (2) The Board of Directors resolved cash dividend NT\$1.35 per share with the total amount NT\$ 2,887,375 thousand.
- (3) The board of directors passed the review of the amendment to the company's "Procedures for Acquisition or Disposal of Assets" and submitted it to the resolution of the 2022 regular meeting of shareholders
- (4) The board of directors approved the retirement plan of president, Chao-Chih, Lien and appointed new president, Thomas Fann. The effective date of the new appointment is 2022/04/07
- May 13, 2022 (1) The consolidated financial report for the first quarter of 2022 was submitted to the board of directors, which shows that the consolidated operating income was NT\$13,897,288 thousand, the cumulative net profit before tax was NT\$799,792 thousand, the cumulative net profit attributable to the parent company was NT\$348,439 thousand with the basic earnings per share was NT\$0.17.
- (2) The board of directors resolved to pay cash dividend NT\$1.35 per share, as total amount of NT\$ 2,887,375 thousand. The ex-dividend base date was June 21, 2022, and the cash dividend payment date was July 15, 2022.
- May 20, 2022 Important resolutions in Annual Shareholders' Meeting
- (1) Acknowledged 2021 business report and financial statement (proposed by the board).
- (2) Acknowledged 2021 profit distribution plan (proposed by the board)
- (3) Approved the proposal for the amendment to "Article of Incorporation" (proposed by the board)
- (4) Approved the proposal for the amendment to "Procedure of acquisition or disposal of asset" (proposed by the board)
- August 12, 2022 (1) The consolidated financial report for the second quarter of 2022 was submitted to the board of directors, which shows that the consolidated operating income was NT\$28,440,873 thousand, the cumulative net profit before tax was NT\$2,267,498 thousand, the cumulative net profit attributable to the parent company was NT\$1,369,116 thousand with the basic earnings per share was NT\$0.65.

- (2) The board of directors approved the setting up of "Information Security Officer" and Thomas Fann, will concurrently serve as the president.
- (3) The resolution of the board of directors approved the simple merger with the subsidiary "GD TECO", and TECO Electric Co., Ltd. is the surviving company, because GD TECO was held 100% by the company. This merger does not affect shareholders' equity.
- Nov 11, 2022 Submission of 2021 Q3 consolidated financial report to the board of directors, which shows that consolidated operating revenue stood at NT\$43,257,027 thousand, pre-tax profit reached at NT\$ 3,916,394 thousand and net income attributable to the parent company is NT\$2,452,210 thousand in the first three quarters of 2022, with earnings per share reaching NT\$1.16.
- February 17, 2023 The board of directors decided to convene the shareholders' meeting on May 24, 2023 at No. 11, Andong Rd, Zhongli District, Taoyuan City (Zhongli Plant of the Company), and the cessation of transfer period was from March 26, 2023 to May 24, 2023.
- March 15, 2023 (1) 2022 consolidated financial report resolved by the board of directors, which shows that the consolidated operating income of NT\$58,315,216 thousand, accumulated net profit of NT\$3,992,010 thousand in the current period, accumulated net profit attributable to the owner of the parent company of NT\$3,457,667 thousand, and accumulated basic earnings per share of NT\$1.64.
- (2) The Board of Directors resolved cash dividend NT\$1.5 per share with the total amount NT\$ 3,208,195 thousand.

B. Implementation of Resolutions made in Annual Shareholders' Meeting on July 20, 2022.

Number	Resolution	Implementation
1.	Acknowledged 2021 business report and financial statement. (proposed by the board)	※ The proposal was approved by the participating Shareholders with 96.27% approved percentage.
2	Acknowledged 2021 profit distribution. (proposed by the board)	1. The proposal was approved by the participating Shareholders with 96.20% approved percentage. 2. The board of directors resolved on 2022/05/13 that the ex-dividend base date is 2022/06/21, and the cash dividend has been paid on 2022/07/15. The total cash dividend of ordinary shares distributed is NT\$2,887,375,000 (NT\$1.35 per share)
3	Amendment to "Article of Incorporation" (proposed by the board)	1. The proposal was approved by the participating Shareholders with 96.05% approved percentage 2. Approved by the Ministry of Economic Affairs (Jingshangzi No. 11101094040) on 2022/06/15 to change the registration record and announced it on the company website.
4	Amendment to "Procedure of acquisition or disposal of asset" (proposed by the board)	1. The proposal was approved by the participating Shareholders with 89.69% approved percentage 2. The revised version has been announced on the company's website before the end of May 2022 and handled in accordance with relevant regulations

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
President	Chao-Chih, Lien	April 25, 2018	April 6, 2022	Retirement
Assistant Vice President	Sheng-Chyuan, Lin	July 1, 2000	May 1, 2022	Retirement

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	2022	

1.4.2 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	2022/1/1~12/31	13,380	-	13,380	
	Chou, Chien-Hung					
Pricewaterhouse Coopers	Hsu, Li-Chen	2022/1/1~12/31	-	4,165	4,165	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	2022		Mar. 31, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Tong Kuang Investment Co., Ltd. Representative: Chwen-Jy Chiu	0	(6,947,000)	0	0
		130,567	0	0	0
Director	Tong Ho Global Investment Co., Ltd. Representative : Cheng-Tsung Huang	0	0	0	0
		0	(1,968,000)	0	0
Director	Ho Yuan International Investment Co., Ltd. Representative: Pen- Ching Cheng	7,238,000	0	483,000	0
		0	0	0	0
Director	Yinge Int. Inv. Co., Ltd Representative : Li-Chong Huang	6,700,000	0	0	0
		0	0	0	0
Director	Creative Sensor Inc. (Note) Representative: Johnson Hou	(8,030,000)	0	(10,780,000)	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: The representative of Creative Sensor Inc. changed from Johnson Hou to Jack Hou on December 22nd 2022. Both of the representatives own no shares.

3.7.1.2 Changes in Shareholding of Managers

Unit: Share

Title	Name	2022		Mar. 31, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
President	Thomas Fann (Note 1)	0	0	0	0
Business Group President	Sung-Pin Chang	31,662	0	0	0
Business Group President	Chi-Tseng Peng	0	0	21,352	0
Business Group President	Fei-Yuan Kao	40,953	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 : President Thomas Fann took office on April 7th 2022. Former President, Chao-Chih retiredNote 2 : Sheng-Chyuan Lin retired on May 1st 2022.

3.7.1.3 Changes in Shareholding of Major Shareholders

Unit: Share

Title	Name	2022		Mar. 31, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Major Shareholder	PJ Asset Management	0	0	0	0
Major Shareholder	Walsin Lihwa Corporation	0	0	666,000	0

3.7.2 Shares Transfer with Related Parties

Name	Reason of Transfer	Date of Transaction	Transferee	Relationship between Transferee and the Company, Directors, Supervisors and Shareholders with more than 10% shareholding	Shares	Transaction Price (NTD)
Yinge Int. Inv. Co., Ltd	obtain (Shareholders use the price of shares to offset the cash increase payment)	2022/01/18	Po-Chih Huang	Yinge Int. Inv. Co., Ltd	6,700,000	31

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%	Ho Yuan International Investment Co., Ltd. Jaryuan Investment Co. Ltd	Related party	-
Walsin Lihwa Corporation	231,104,730	10.81%	0	0%	0	0%	None	-	-
Jaryuan Investment Co. Ltd	135,653,000	6.34%	0	0%	0	0%	Ho Yuan International Investment Co., Ltd. PJ Asset Management	Related party	-
Creative Sensor Co., Ltd.	61,489,000	2.87%	0	0%	0	0%	None	-	-
Ho Yuan International Investment Co., Ltd.	50,420,000	2.36%	0	0%	0	0%	Jaryuan Investment Co. Ltd. PJ Asset Management	Related party	-
Tong Kuang Investment Co., Ltd.	31,991,364	1.50%	0	0%	0	0%	Kuan Yuan Industrial Co., Ltd.	Related party	-
Norges Bank	30,946,193	1.45%	0	0%	0	0%	None	-	-
Vanguard Emerging Markets Stock Index Fund	27,720,320	1.30%	0	0%	0	0%	None	-	-
Kuan Yuan Industrial Co., Ltd.	26,833,919	1.25%	0	0%	0	0%	Tong Kuang Investment Co., Ltd.	Related party	-
Vanguard Total International Stock Index Fund	25,830,034	1.21%	0	0%	0	0%	None	-	-

Note: This item is based on the registration of the register of shareholders whose transfer has been suspended

3.9 Long-Term Investments Ownership

Dec 31, 2022

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.	77,847,395	100.00%	0	0.00%	77,847,395	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	0.01%	1,500,000	100.00%
Tong An Investment Co., Ltd.	577,913,365	99.60%	2,182,277	0.40%	580,095,642	100.00%
TECO Electro Devices Co., Ltd.	10,253,864	59.56%	259,926	1.51%	10,513,790	61.07%
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%
Taitec Technology CO.,LTD.	950,000	95.00%	0	0.00%	950,000	95.00%
Yatec Engineering Corp.	7,800,000	64.95%	0	0.00%	7,800,000	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.	37,352,237	100.00%	0	0.00%	37,352,237	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.	8,266,820	93.16%	435,095	4.90%	8,701,915	98.07%
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%	-	0.00%	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%
Tong An Energy	5,000,000	100.00%	0	0.00%	5,000,000	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, 2023

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, 2023

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	4	82	319	100,598	549	101,552
Shareholding (shares)	14,696,000	62,359,520	1,114,097,038	579,042,116	368,601,942	2,138,796,616
Percentage	0.69%	2.92%	52.09%	27.07%	17.23%	100.00%

4.1.3 Shareholding Distribution Status

The par value for each share is NT\$10

March 31, 2023

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	48,540	8,028,514	0.38%
1,000 ~ 5,000	39,195	83,373,918	3.90%
5,001 ~ 10,000	6,542	50,998,727	2.38%
10,001 ~ 15,000	2,119	26,600,487	1.24%
15,001 ~ 20,000	1,329	24,498,724	1.15%
20,001 ~ 30,000	1,282	32,518,640	1.52%
30,001 ~ 40,000	538	19,088,690	0.89%
40,001 ~ 50,000	411	18,945,218	0.89%
50,001 ~ 100,000	726	52,688,267	2.46%
100,001 ~ 200,000	350	50,322,520	2.35%
200,001 ~ 400,000	204	58,866,707	2.75%
400,001 ~ 600,000	74	36,326,051	1.70%
600,001 ~ 800,000	34	23,354,049	1.09%
800,001 ~ 1,000,000	27	23,896,830	1.12%
1,000,001 or over	181	1,629,289,274	76.18%
Total	101,552	2,138,796,616	100.00%

4.1.4 List of Major Shareholders

March 31, 2023

Shareholder's Name	Shares	Percentage
PJ Asset Management	373,237,991	17.45%
Walsin Lihwa Corporation	231,104,730	10.81%
Jaryuan Investment Co. Ltd	135,653,000	6.34%
Creative Sensor Co., Ltd.	61,489,000	2.87%
Ho Yuan International Investment Co., Ltd.	50,420,000	2.36%
Tong Kuang Investment Co., Ltd.	31,991,364	1.50%
Norges Bank	30,946,193	1.45%
Vanguard Emerging Markets Stock Index Fund	27,720,320	1.30%
Kuan Yuan Industrial Co., Ltd.	26,833,919	1.25%
Vanguard Total International Stock Index Fund	25,830,034	1.21%

Note: This item is based on the registration of the register of shareholders whose transfer has been suspended

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

Unit: NT\$

Item	2021	2022	March 31, 2023 (Note 5)
Market Price per Share (Note 1)			
Highest Market Price	36.6	34.1	44.60
Lowest Market Price	26.8	26.3	27.10
Average Market Price	31.12	29.63	32.34
Net Worth per Share			
Before Distribution	41.71	37.42	-
After Distribution	40.36	35.92	-
Earnings per Share			
Weighted Average Shares (thousand shares)	2,105,523	2,105,523	-
Earnings Per Share	2.38	1.64	-
Dividends per Share			
Cash Dividends	1.35	1.50	-
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)	13.08	18.07	-
Price / Dividend Ratio (Note 3)	23.05	19.75	-
Cash Dividend Yield Rate (Note 4)	4.34%	5.06%	-

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. The company's board of directors resolved to distribute a cash dividend of NT\$1.50 per share on March 15th 2023, which will be distributed in accordance with operating procedures after the base day for Ex-Dividend is determined

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 of Employee Remuneration and Directors' Remuneration

The estimated amount of remuneration for employees, directors and supervisors is estimated based on the percentage range as of net profit of the current period stipulated in the Articles of Incorporation, also taking into account the percentages paid in the past

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

c. If there is a discrepancy between the actual distribution amount and the estimated amount, it will be listed as profit or loss for the next year

C. Profit Distribution of Year 2022 resolved by Board of Directors for Employee and Directors' Remuneration

a. Recommended Distribution of Employee and Directors' Remuneration:

	(NT\$ thousand)
Employee Bonus – in Cash	\$ 282,848
Employee Bonus – in Stock	0
Directors' Remuneration	<u>79,526</u>

Employee remuneration and directors' remuneration decreased by NT\$46,224 thousand compared to the number of NT\$408,598 thousand recognized in the 2022 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	303,727
Directors' Remuneration – Cash	85,273
Total	389,000

The actual allotment amount increased by 367 thousand compared with the amount recognized in the account, which was recorded as profit or loss for 2022.

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\$ 1 billion	NT\$ 3 billion	NT\$ 2 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\$ 0	NTD\$ 3 billion	NTD\$ 2 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**4.8 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	56.8%
Air Conditioners and Home Appliances	11.3%
Mechatronic Engineering and Electrical Equipment	14.4%
Others	17.5%
Total	100.0%

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/DC 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)
- E-Skid
- EV Charger

b. Air conditioners and Home appliances

- 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 solar power), energy storage system, micro grid, comprehensive development projects, civic engineering and traffic engineering, medical biotechnology and factory buildings, etc
- Electric equipment (switchboard, generator set, power distribution equipment, design and construction integrated service for energy transmission and distribution system)
- Appliance products (Green Energy Market - Solar-powered battery charger MCCB/SPD/FUSE,

Taipower's Market)- 161/69KV GIS, 15KV overhead line switch, low-voltage street lamp switch, 22.8 fuse link switch, housing/factory market-electromagnetic switch, no-fuse circuit breaker, leakage circuit breaker, communication ammeter, generator, etc.

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: High-voltage high-power density motors, high-voltage high-speed inverter duty motors, motors for vertical circulating pumps in power plants, high-low voltage low-speed direct-drive permanent magnet motors, ultra-high efficiency IE5 permanent magnet motors, centrifugal compressors for hydrogen energy, reciprocating compressors for hydrogen energy, rail vehicle traction motor, electric bus motor and drive power system . In response to the industry development trend, we actively invest in the development of related technologies for energy saving of system and green energy development: ultra-low-speed high-torque direct drive motors & drive technology, offshore wind generator technology, new-generation insulation system, integrated development of power train of for electric vehicle, new generation inverter E710, new generation servo system JSDG3, etc .

b. Air conditioners and home appliance:

To meet consumers' demand for clean air, Teco forge series of smart energy-conserving air conditioners, taking the indicators of temperature, humidity, and cleanness into account.

- I. All variable-frequency home appliances attain the government's grade-1 CSPF and employ high-performance energy-saving R32 refrigerant, enhancing performance and lowering carbon emission, to contribute to slowdown of global warming.
- II. 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.
- III. With high IPLV design with multi-pressure single system, to develop 90-600RT magnetic levitation centrifugal chiller, which is capable of stable operation even at 10% partial load, thereby attaining cool-air output and constant temperature, as well as smart energy saving solution to provide energy management, preventive maintenance diagnosis and other services.

c. Mechatronic Engineering and Electrical Equipment

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

- I. Taipower officially announced the "Strengthening Power Grid Resilience Construction Plan", which will invest NT\$564.5 billion within 10 years, with the three main axes of "strive for decentralization, continuous strengthening, and strengthening defense", including 5 decentralization, 3 strength and 2 defense, totalling 10 major specific actions, will be completed within 10 years, of which about NT\$376.1 billion has been planned and under implement, and another NT\$188.4 billion will be

continued to compile and implement the project plan to expand and accelerate the power grid improvement work

- II. In the green energy industry, introduced solar DC 1500V and AC 800V or above products, as well as power conditioning system for energy storage, that realize two-way conversion and connection of AC and DC power. It is suitable for exchanging energy for solar power to charge and discharge energy storage batteries, and is used to control and manage batteries for charging and discharging.
- III. Taipower's market promotes the indoor substation, which will improve the safety of power supply. With the internal compartment design, it has the advantages of shielding and isolation. In addition to enhancing safety and increasing stability of power supply, it can also avoid the expansion of accidents. Taipower proposed to build 24 substations (Phase 1: 9 substations. Phase 2: 15 substations) to cope with grid congestion and increase resilience .

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, mining 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
Downstream	Dealers, mass merchandisers, end customers, enterprises, government agencies, construction firms

- (c) Mechatronic Engineering and Electrical Equipment

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) Electromechanical system and automation 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

July 2023, and other regions are also expected to follow suit in the next five years, it is expected that there will be a wave of replacements worldwide. 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, gear reducer, medium- and low-voltage inverter, permanent-magnet direct-drive system and servo system for the sales and service of complete power-driven systems, 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, 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, energy saving for electromechanical production line 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 customers' 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-high 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 + drive test. In addition, the development of power train of electric vehicle also become the target of attention of global motor manufacturers to response to net-zero emission subsidy policies globally and automakers around the world have announced the end of production schedules for pure oil vehicles. Based on high-efficiency motors, drive product solutions and its manufacturing capabilities, TECO focuses on niche electric commercial vehicle applications, and actively seizes markets such as electric buses, school buses, commercial vehicles, logistics vehicles, and trucks. 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 research and development in motor and inverter to provide system integration solutions to supply high-efficiency, energy-saving and high-accuracy products. Roll out new inverter capable of automatic adjustment, high-speed communication, safety protection, 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 AGV, the research and development of 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 for warehousing and handling automation, as well as X-series follower drive module to provide global customers with advanced solutions and customized application options.

(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. 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, also from low-price braded China-made products, on the other hand. Consequently, TECO has spare no effort in developing new technology, such as smart air conditioner,

patented UVC module, and air management system, in order to boost brand value and product competitiveness.

In line with market trend, Air & Intelligent Life business group has integrated the group's resources, combined self-developed products, logistics, and information technology for development of smart, energy-conserving, healthy, and environment-friendly freezing, refrigerating, and air-conditioning solutions. 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 corporates and government-sponsored research bodies, aided by the projects of energy and technology, 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, solar power and related energy storage systems and micro-grids, and turn-key engineering project for onshore and offshore substations of offshore wind farm, which are carried out in collaboration with medium- and downstream-suppliers, with use of TECO-made major electric equipment, to support the goal of localization of offshore wind power industry.

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\$1,114,263 thousand on R&D in 2022. R&D expense is booked as NT\$267,374 thousand in the first three month in 2023.

a. Industrial Motors Category

1. Direct drive system for low speed high torque permanent magnet motor
2. IE5 high efficiency energy-saving permanent magnet motor
3. Smart drive control system for ultra-high-efficiency cooling tower
4. Compact Current Vector Inverter
5. High power density energy-saving matrix inverter
6. IE5 ultra-high energy efficiency synchronous reluctance motor and drive
7. Large 2-pole rigid shaft smart inverter duty motor
8. Offshore wind generator technology
9. Integrated power system of high-power motor and gearbox

b. Automation and Intelligent System Category

1. Dedicated servo drive
2. Open industrial Ethernet Profinet high-speed communication card/module
3. Compact and general purpose DC servo drive
4. Cobot Joint module (CJM) joint module
5. Frameless hollow shaft servo motor
6. High-precision magnetic encoder
7. Control platform technology for AGV
8. Next-generation servo drive
9. SLAM automatic navigation technology
10. AMCL path positioning technology
11. New generation power semiconductor SiC/GaN module drive technology
12. Smart mobile platform with low load (40kg)
13. Charging devices for smart mobile platforms
14. Follow-up cart product/module

c. Renewable energy- green energy

1. Heat recovery system of high-speed generator and inverter
2. Offshore wind generator technology
3. Traction motors for rail vehicles

d. EV power train

1. Localization plan for 250kW motor and drive for electric bus
2. SiC high-power direct drive solution for electric bus
3. Multiple-in-one power train solution for electric commercial vehicles

e. Freezing and Air-Conditioning Category

1. Whole series of new refrigerant R32 with high energy efficiency surpassing the first-level inverter duty cooling and heating machine
2. Ultra-efficient IPLV magnetic levitation centrifugal inverter duty chiller
3. High PUE elevated floor type special air conditioners for telecom and electronic computer rooms
4. 3~8HP fixed-frequency refrigerating and condensing units
5. 3~8HP inverter duty refrigerating and condensing units

• Smart solution products:

1. TECO i-Air system development (system integration control of air conditioner/dehumidifier/fresh fan/antibacterial function)
2. APP development of smart diagnostic service for home inverter duty air conditioner with mobile network
3. Green building central air-conditioning energy-saving system solutions (energy-saving equipment + smart air-conditioning energy-saving control system)

• Economical and energy-saving air treatment products:

1. Invert duty clean hanging implicit dehumidifier
2. Clean and fresh air blower
3. Bathroom heater
4. Special cleaning modules for air conditioners

f. 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
4. Intelligent air-conditioning energy-saving control system:

Using the integration of intelligent software and hardware, it evolved to the "optimized energy-saving management mode" of active management, and achieved the dual-efficiency air-conditioning solution of "system energy saving" and "automatic diagnosis".

5.1.4 Long-term and Short-term Development

1. Electromechanical system and automation product

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 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. In recent years, various 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, conveyance system, rubber and plastic machines 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 rail vehicle. Power train solutions for electric vehicle, targeting business opportunities of electric commercial vehicle in North America and India, target performance growth of more than 300%; and localization of electric buses, under the subsidy policy of NT\$90 billion in 10 years, TECO is expected to strive for more than 80% market share of power train of domestic electric bus; India's EV motor production line will be completed this year, which will facilitate nearby order taking and manufacturing; In the North American market, in response to the buy America policy, we will work with TECO Westinghouse and cooperate with 2~3 new and traditional car manufacturers for electric buses and school buses to new model power train and chassis integration and real vehicle testing

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 high precision system control, so as to meet the demands for industrial power safety, automation, and energy conservation.

Given urgent need for energy transformation and digital 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 twin solutions for motors and rotating equipment. To increase green power share, TECO, in addition to help customers to build solar power and energy-storage systems, also 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.

To accelerate the electrification of shale oil production and transmission equipment in North America under the pressure of carbon neutrality, TECO can not only provide high-efficiency motors, but also provide E-Skid (mobile substations) to quickly establish basic power supply facilities in remote areas. In addition to industrial applications, E-Skid can be used for temporary/emergency power supply facilities and electric vehicle charging facilities. In addition to carbon neutrality, advanced countries are also actively setting the goal of net zero emissions. The strategies for net zero transition include green energy (wind power), power grid energy storage...etc., and two business opportunities from CCUS (Carbon Capture, Utilization and Storage) and hydrogen energy. At present, TWMC in North America has direct atmospheric capture business opportunities. It has already obtained an order of US 1.6M for medium-voltage motors. It is expected that the business opportunities will exceed US 280M. In the future, it will continue to provide TECO solutions in this direction. Hydrogen energy has infrastructures such as manufacturing, storage, transportation, and refueling stations. These facilities will have equipment such as Pumps, Compressors, and explosion-proof motors. At present, TECO also has corresponding solutions to meet the needs of equipment manufacturers.

2. Air Conditioner and Home Appliance Products

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

In line with the government's 2050 net-zero emission announcement and action, many energy efficiency standards such as building energy efficiency classification and energy-saving policy for energy users have been formulated to promote strategies. The company is fully committed to promoting smart life-related products. Air-conditioning products have developed a full range of energy-efficiency products that exceed government standards energy-saving products are jointly developed with enterprises and government research units. With the help of energy and technology projects, the latest energy-saving new technologies are introduced and applied to technological innovation, product innovation, and service innovation to enhance the international competitiveness of Taiwanese brands.

TECO is a leading brand of commercial air-conditioning professional manufacturers. In response to the government's zero-carbon goal, TECO assists large energy and electricity consumers in providing air-conditioning system solutions for enterprises. In addition to products with grade 1 high energy efficiency, the control system combines the peripheral equipment of the chiller system (such as cooling towers, pumps, etc.), the ice water/cooling water flow control can be used to adjust the speed according to the change of field load, so as to achieve the effect of saving electricity and prevent the price increase of electricity exceeding the contract. In addition, it provides energy management health diagnosis, coupled with visualized power consumption management, and various management and control systems for indoor air quality monitoring, providing a one-stop air conditioning system integration service.

In response to the rise of cold chain trends in the post-pandemic era, TECO independently developed DC inverter technology and launched inverter condensing units of 3~8HP (for freezing/refrigerating) to enter the refrigeration and refrigeration cold chain market. The technical strategy uses AI technology to provide refrigeration and air conditioning energy-saving systems, and then with the refrigerant quantum technology, the food safety technology and the flexible allocation of cold force have been improved, and the variable multi-layer freezer has been launched. TECO's commercial refrigeration and refrigeration technology are top in the industry, and the cooling force from minus 40 degrees to plus 18 degrees can be satisfied, upholding the leading technology, energy saving, health, and food prudence.

3. Mechatronic Engineering and Electrical Equipment

In long-term business development plan, with the aim of becoming the best 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 offshore wind power, solar power, micro-grids, energy-storage systems, and large-scale electromechanical engineering projects. TECO has secured contracts for onshore substation engineering for offshore wind power totaling 2GW in scale, for 35% market share.

TECO has accumulated about 170MW of IDC computer room construction achievements in Taiwan and overseas, assisting the related cloud information industry to build large-scale data processing centers, adding growth momentum to TECO when the cloud industry is booming. At the same time, actively expand offshore wind power offshore substation projects, new business opportunities in smart energy business and overseas markets. Solar energy project construction, 10.4MW of self-built solar energy has been completed, and the total order scale has exceeded 15MW. In terms of energy storage, in addition to completing the localization production target of PCS, the technical team with rich experience in energy storage systems and EMS integration capabilities has actively participated in Taipower's energy storage projects and private energy storage projects, and the total order scale has exceeded 130MW.

5.2 Market and Sales Overview

5.2.1 Market Analysis

A. Electromechanical system and automation product

a. Sales (Service) Region

The company's electromechanical systems and automation products are mainly sold in the Americas, Europe, Australia, Japan, Singapore, Indonesia, mainland China and Taiwan, and are actively expanding the markets in the Middle East, India, Vietnam 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 fan, 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.

In addition, benefiting from the 2050 global net zero emission target, governments of various countries have formulated policies to accelerate the popularization of electric vehicles. According to Bloomberg New Energy Finance's (BNEF) annual long-term electric vehicle (EV) outlook report, sales of electric vehicles will rise to 20.6 million units in 2025, accounting for nearly a quarter of all new car sales worldwide. Therefore, TECO's deployment of electric vehicle power systems, in addition to increasing the share of power train of Taiwan's electric bus and cutting into the electrification market of commercial truck, is actively deploying the Indian and North American markets. Especially in the North American commercial vehicle market, in response to the policy that the US government will subsidize school buses and buses between 2022 and 2026, the US Environmental Protection Agency (EPA) and the Transportation Agency (FTA) will invest a total of about US\$200 billion in incentive funds, which will detonate market demand. Replacing 50,000 school buses and 28,000 urban buses each year, with a business opportunity of about US\$400 million. TECO and the U.S. Tier1 strategic partner will further develop a high-power density multiple-in-one integrated power train and strive for more than 300,000 electric buses and school bus market opportunities. At the same time, the Indian factory will complete its construction and operation this year. Since the Indian government has a PLI policy for local production and a FAMEII incentive policy for users and operators, if there is mass production in India in the future, it will be able to meet the incentives for local production. condition. TECO has cooperated with a number of Indian start-up e-Truck car manufacturers to carry out specification docking and power train testing.

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

The company's electromechanical system and automation product has won very good reputes, 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 electromechanical system and automation 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
- The depth and breadth of products are complete, and the motors with special specifications have obtained certification
- 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.
- The issue of carbon neutrality is fermenting, driving electrification business opportunities .

(b) Unfavorable factors

- Market saturation leading to price competition among machinery firms and increasingly rigorous demand for price
- 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 Chinese 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 US-China trade war

B. Air Conditioners and Home Appliances

a. Sales (Service) Region

Air Conditioners and 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% in each item.

c. Market Trend of Major Product Categories

The company's air conditioners and home appliances is one of the leading domestic brands and will continue to grow in the future. In the 2021 primary and secondary school project, Teco has the highest bid rate and has an advantage among the domestic brands. In 2022, it will actively turn to property market, starting from the niche point of jointly building a smart, healthy air and epidemic prevention house, with vast business opportunities and growth potential. In line with the government's 2050 net zero emission announcement and action, many energy efficiency regulations such as building energy efficiency classification and energy user energy conservation policies have been formulated to promote strategies. Building energy efficiency classification mainly includes three major energy-consuming supervision items: air-conditioning, lighting, and socket appliances. The main energy-consuming equipment in commercial buildings accounts for 41% of the annual electricity consumption of which air-conditioning consumes. The company's air-conditioning products cover various models, the capability band and the field show that TECO air conditioners are ubiquitous. In addition to the Taiwan market, it has also expanded overseas markets. Launched the IPLV chiller solution, and it is expected that there will be significant growth in air-conditioning products and large-scale chillers in the future.

The Ministry of Economic Affairs compiled the NT\$3 billion budget to promote "energy-saving subsidies for the replacement of old and new residential appliances" and "subsidies for energy-saving equipment in the commercial service industry". For the subsidy policy for the replacement of energy-saving equipment in the commercial service industry, buyers can choose to replace a single device with a grade 1 energy-efficient product or system energy-saving project to apply for subsidy, starting from March 2023. The scope of this subsidy covers 22 counties and cities across the country, and the application qualifications include all service industries in the commercial sector, including wholesale and retail, accommodation and catering, and commercial services, as well as medical institutions, long-term care institutions, homestay industry, short-term cram schools, Private kindergartens, leisure farms, driving training classes, etc. are also included in the scope of subsidies. TECO's products, ranging from small separated air conditioners to large chiller systems, all meet the grade 1 energy efficiency. It is estimated that they can benefit from energy-saving subsidies and drive a wave of replacements to increase sales.

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

(a) Favorable factors

- With a good brand image, TECO Group operates resource sharing to exert synergistic effects, transplanting (Re-platform) electromechanical drive technology into commercial air-conditioning and refrigerating inverter duty drive technology. Under the circumstances of seamless integration, the company has successfully launched continuously innovative high-energy-efficiency products, and entered the commercial air-conditioning and cold chain markets such as energy saving, health, and food prudence.
- Establish a Inverter Common platform), coordinate the control logic of different products, continuously innovate high-efficiency products, and provide satisfactory service to consumers.
- TECO adheres to the core concept of ESG, introduces R32 refrigerant and launches high-energy-efficiency products that are superior to national standards, and through clean manufacturing and the use of environmentally friendly materials, TECO produces industry-leading models that meet energy conservation, environmental protection, quality awards, MIT marks, and grade 1 energy efficiency.
- Joined the "Smart Home Appliance Industry R&D Alliance" to integrate smart air conditioners and home appliances with the Internet of Things, and launched cloud air conditioners first, with "scheduling control", "power visualization", "remote control", "forget-off reminder", etc., to customers to lead the development of smart home appliances based on practical functions
- Commercial air-conditioning launches cloud smart air-conditioning control system combined with peripheral equipment of chillers, HVAC (heating, ventilation and air conditioning)

air-conditioning system solutions, with energy management health diagnosis, visualized power consumption management, and indoor air quality monitoring and other monitoring management system.

- Take the lead in launching AI-based refrigerant quantum technology, improving food safety technology and flexible allocation of cold force, and launching a variable multi-temperature freezer.
- Based on the core concept of ESG, Teco is the first to introduce R448A environmentally friendly refrigerant in the Taiwan market. The GWP has the lowest global warming potential. The inverter duty constant temperature control technology can reduce the corrosion rate and continue to contribute to energy saving and emission reduction.

(b) Unfavorable factors

- The residential air conditioner/home appliance market is becoming saturated, with Japanese brands accounting for more than 50% of the market, and traditional distribution channels are greatly impacted by competition from mass merchandisers and chain channels. TECO can only compete with more sophisticated product technology, and it is not easy to make profits.
- In recent years, the international signing of bilateral or regional free trade agreements has become a trend, which has a great impact on Taiwan.
- In recent years, mergers and acquisitions of Japanese and American brand products have had a great impact on Taiwanese domestic brands

(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.
- Selectively make good use of the low-cost advantages of hardware manufacturing in mainland China, and improve the cost competitiveness of some products through the SKD assembly production model, creating Taiwan's innovation and the scale and cost advantages of hardware in mainland China, forming a stronger and stronger competitive advantage.
- Commercial air-conditioning distribution shift the focus on inverter duty products, expanding direct sales of energy-saving system, providing energy-saving new technologies, intelligent energy-saving and diagnosis through the cloud-based smart air-conditioning control system, and automatically adjusting the parameters of the chiller operation to achieve the best energy-saving system.
- The only domestic brand combine sales of commercial air conditioners and refrigerated products, providing one-stop service for complex field needs and expanding market share

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 circuit breakers and electromagnetic switches 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 circuit breakers and electromagnetic switches products, the company is Top 2 producer of low voltage switches, widely used in power distribution and machinery market. Domestic market share is around 16%.

c. Market Trend of Major Product Categories

The company's mechanical and electrical engineering is deeply involved in the renewable energy market, and has won many domestic and foreign orders for the construction of renewable energy. In order to expand the promotion of renewable energy, the government has set a policy target of 20% of renewable energy power generation by 2025 and 15GW of offshore wind power from 2026 to 2035. Now it is actively promoting solar power and wind power generation. It is estimated that the capacity

of solar installations will reach 20GW in 2025, and the capacity of offshore wind power installations will reach 20GW in 2035. As of the end of December 2022, 9.3GW of solar power generation systems and 1.5GW of wind power generation units have been completed in Taiwan. There are still 10.7GW of solar power generation systems to be built by 2025, representing a market opportunity of approximately NT\$ 535 billion. In terms of offshore wind power, the government is actively promoting localization and building a localized supply chain. It is estimated that the output value of offshore wind power will exceed NT\$1.3 trillion, and the renewable energy market will continue to grow

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 eight 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 onshore substations of offshore-wind power 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

Electromechanical system 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 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

Air Conditioners & Home Appliances:

Products	Use	Production Process
CSPF-grade 1 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, maglev centrifugal chiller, IPLV chiller solution	Commercial, Industrial Applications; Transportation systems	Design, Planning, Assembly, Matching

Electromechanical Engineering and Electrical Equipment

Products	Use	Production Process
Turnkey project of Substation of offshore wind power, internet data center (IDC), solar power generation system, energy storage 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
Electromechanical products	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		2021			2022		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products							
Electromechanical system and automation products		3,662,052	1,654,221	15,399,086	3,454,192	1,363,183	16,520,388
Air Conditioners & Home Appliances		404,369	399,265	3,404,452	292,351	280,826	2,944,091
Power Equipment-device		9,974,842	7,084,492	3,342,250	9,868,472	5,859,488	3,844,592
Others(Tecom)		339,084	288,482	876,960	339,084	250,528	925,394
Total		14,380,347	9,426,460	23,022,747	13,954,099	7,754,025	24,234,465

5.2.6 Shipments and Sales over the Last Two Years

Unit: Units; NT\$thousand

Shipments & Sales Major Products	Year	2021				2022			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Electromechanical products		1,831,944	7,365,822	4,263,059	20,494,564	1,729,670	8,655,736	3,656,735	24,498,067
Air Conditioners & Home Appliances		651,566	6,124,108	140,914	793,986	575,187	6,076,725	72,846	511,545
Engineering Income			5,809,995				8,389,854		
Other			9,591,685		1,068,227		9,040,030		1,143,258
Total		2,483,510	28,891,610	4,403,972	22,356,777	2,304,856	32,162,345	3,729,581	26,152,871

5.3 Human Resources

Year		2021		2022		March 31 2023	
		TECO	Global	TECO	Global	TECO	Global
Number of Employees		2,180	14,617	2,269	13,030	2,215	13,139
Average Age		42.9	41.0	43.5	41.5	43.8	41.7
Average Years of Service		14.7	9.9	14.9	9.7	15.0	9.8
Education	13.8	6.4	13.5	6.5	13.9	6.6	6.5
	55.6	51.2	57.9	51.4	57.8	51.4	51.5
	25.9	31.1	24.5	31.3	24.2	31.2	30.6
	4.7	11.3	4.1	11.4	4.1	11.4	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; Chungli 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. Before the end of 2022, the subsidiaries Taian Wuxi, Wuxi Teco Electro Devices, and TECO Malaysia have completed the construction successively and started to generate electricity.

Equipment process improvement:

In order to strive for excellence, Hukou plant has greatly improved the reduction of SF6 process emissions, and will continue to do so in 2023. The refinement of the home appliance production process started in 2022 has greatly reduced the refrigerant dissipation rate by 40%, and will continue in 2023; at the same time, it will continue the improvement experience of the Taiwanese factory and assist overseas factories in improving refrigerant dissipation.

Utilize TECO's existing system control and motor technology to provide consumers with green energy-saving products, replace old energy-consuming facilities, update and use new energy-saving equipment, and strengthen maintenance and process waste reduction, improve the workplace environment, promote energy conservation and recycle cooling water in the foundry. During almost 100% recycling of the production, waste silicon steel sheets produced during the production process, recasting production by the foundry in the factory and applying them to existing products, recycling waste resources, and reducing production costs

b. Plan for management improvement

Actively and continuously implement the ISO 14001 environmental management system, control and manage business activities (including production, sales, product use and the entire product life cycle after disposal), find out the impact and improvement opportunities that have a significant impact on the environment and make improvements, to reduce environmental impact and improve environmental performance.

Make every effort to promote the use of friendlier R32 refrigerants in home appliances, so as to greatly improve the customer service and use more environmentally friendly refrigerants. Incorporate ESG into daily management KPIs, and review performance on a quarterly basis to ensure the implementation of environmental improvements. In the first quarter of this year (2023), we began to test and introduce the digital management system, which can obtain the emission status of the company's greenhouse in real time, and take improvement measures at any time if there is 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 not only continues to promote solar system installations to increase electricity usage and reduce carbon emissions; since 2005, it has started to conduct greenhouse gas inventory business, and the annual greenhouse gas inventory through external certification units (ISO 14064-1); in 2022, in addition to Taiwan, it has been added to cover major overseas bases (five factories in mainland China, Vietnam factory, Italy factory, TWMC in the United States, and Malaysia factory). And mobilize all personnel to continue to promote energy-saving and carbon-reduction programs, set up an energy-saving task force, and provide feasible solutions to promote.

TECO is fully committed to the strategic vision of "energy saving, emission reduction, intelligence, and automation". Whether it is the R&D and production of various products, product raw materials, manufacturing processes, and even marketing, it is committed to the mission of "energy saving and emission reduction"; new business development is also taking the green energy industry as the development direction, or even organizing various scientific and cultural activities through the foundation, to promote the internal implementation of ECO values, and continue to lead TECO in the direction of sustainable management

d. Projected capital outlay for environmental protection in the next three years(including overseas plants)

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

i. Plans in next three years

2023	2024	2025
Continue to promote solar energy systems	Continue to promote solar energy systems, energy-saving equipment, and other energy-saving solutions	Continue to promote solar energy systems, energy-saving equipment, and other energy-saving solutions
Continue to introduce environment-friendly paint spraying system to increase the ratio of environmentally friendly paint	Coating equipment, continuous furnace, air pollution prevention, maintenance, improvement or addition	Coating equipment, continuous furnace air pollution prevention, maintenance, improvement or addition
Eliminate old coating, continuous furnace and baking equipment	Activated carbon, filter, filter ball, etc. consumables replacement, improvement in organic solvent process	Activated carbon, filter, filter ball, etc. consumables replacement
Coating equipment, continuous furnace, air pollution prevention, maintenance, improvement or addition	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
Replace air compressor with high-efficiency motor		
Replacing the old wastewater pipeline configuration project	Replacing old waste water pipelines	Replacing old waste water pipelines

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

2023	2024	2025
\$ 85,445	\$ 62,097	\$ 64,531

(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 in 2022, the power generation is 5.17 million kWh , which is expected to be generated annually. The electricity cost benefit is 16.2 million NTD per year.
- ii. Introduce environmentally friendly water-based paint. By the end of 2022, the proportion of environmentally friendly paint was as high as 85%. Compared with the baseline in 2015, VOC output has reduced the total emission of volatile organic compounds (VOC) by 82,155kg, a reduction of 46%.
- 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, improve waste recycling mechanism, and seek opportunities for recycling. In 2022, waste reduction was formally included in the management indicators to force energy conservation, emission reduction, and waste reduction to be the responsibilities of all employees. The improvement results are reviewed by the dedicated unit every month and included in the quarterly department performance KPI
- 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 140 million kWh of electricity in three years(2019~2021) and reduced greenhouse gas emissions by 72,838 metric tons/CO₂e, which is equivalent to the carbon absorption of 136 Daan Forest Parks.

f. Expected effect of improvement

(a) Effect on net profits

- i. The introduction of solar energy can reduce electricity consumption and electricity costs. The electricity cost benefit is about NT\$16.2 million per year, which is equivalent to reducing 3,400 tons of carbon emissions
- ii. Recycle business waste to reduce material cost and 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 can directly reduce greenhouse gas emissions. In response to the international trend of reducing greenhouse gas emissions, after the implementation of the carbon tax in the future, it can reduce potential trade obstacles and cost burdens caused by carbon taxes, increase product sales opportunities, and improve the company Product competitiveness. In addition to contributing NT\$16.2 million in electricity costs every year; exporting to the United States as an example, about US\$34,000 in carbon tax expenses can still be avoided. Cultivate the core technical capabilities of solar energy construction and increase the company's business potential
- ii. Recycle and reuse business waste, reduce costs, and increase product competitiveness
- iii. Augment the corporate image and meet the expectation of related parties.
- iv. Use the existing technical capabilities to develop a network power monitoring system to control the power distribution status at any time, and to seek opportunities for power saving and external business opportunities

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

Provide multiple and open communication channels, and promote both labor and employer to jointly create a win-win situation on the basis of harmony and mutual trust. The company signed a group agreement with the labor union in 1982, and then maintained a good communication relationship and revised the contents of the agreement successively. Recently, it applied to the competent authority for expert counseling in 2017, and in 2023, both labor and management revised and signed the group agreement again

We firmly believe that talents are the cornerstone of the company's sustainable operation. A good labor-management relationship will help strengthen and stabilize the development of talents, create a happy TECO enterprise, achieve sustainable business operations, and become the best employer brand; we really hope that employees can achieve self-development and achievement in their work, so we have constructed an open Excellent career development environment, as well as welfare measures that take into account life and family, so that employees can work hard and grow together 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 demonstrate their talents.
- b. Key Talent System: The key talents are key talents cultivated below the managerial level of the company, and key talents are reviewed and inspected every two years. After the selection, its development status is one of the key performance indicators (KPI) items of the unit. The human resources center will assist colleagues to set up exclusive IDPs to enable them to obtain systematic cultivation and development. Talent retention and drive organizational growth. This year, through the digital learning platform and the resources of external consulting companies, we will promote digital transformation special courses and cultivate key talents to become experts in the company's digital transformation
- c. Management associates training: In order to cultivate the leadership and management capabilities of supervisors, a series of courses such as grassroots reserve supervisor training, mid-level reserve supervisor training and new supervisor training are planned for potential talents every year. 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 important management: The company attaches great importance to the succession planning of important management levels. In 2022, five senior executives were selected from the internal management team. According to personal career goals and company development needs, appropriate training resources were planned to help them strengthen their comprehensive management capabilities, and the general manager was invited to The manager acts as a project mentor, inheriting the experience and thinking of senior managers, and will also plan successor training and mentoring programs with external professional institutions in the future

B. Protection of employee rights

a. Job search security

In accordance with the Personal Data Protection Act, the personal information of job seekers is protected and will not be used for purposes other than recruitment and selection without the consent of job seekers. Employers and systems follow labor laws and human rights policies of TECO, fair and non-discriminatory, child labor is prohibited, forced and compulsory labor is prohibited

- b. Gender equality protection: The company implements and advocates gender equality, narrows the gender ratio gap through the system, establishes the "TECO WAO! (Women's Ability Organization)" association,

provides diverse and friendly holidays, creates a friendly child-rearing environment, and respects diverse genders to hold relevant lectures and promotions. Awarded the Bronze Award of "Gender Equality Certification in the Workplace" by Taipei City in 2022

- c. 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.
 - d. 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 the employees choose to apply the labor pension regulations after July 1, 2005, 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.
 - e. 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 group meals, the company has full-time nurses working in each factory area, and has a medical room. Professional doctors are on-site to provide consultation on a regular basis to take care of the safety and well-being of employees. healthy. At the same time, it promotes various health promotion activities, establishes various leisure and sports associations, and hires the visually impaired to provide regular stress-relieving massage services. In terms of motherhood, the company is committed to the construction of a "friendly environment for motherhood". The breastfeeding room of the Nangang Headquarters has continuously obtained the excellent certification of the Taipei City Government every year since 2019. It also provides maternal health protection consultation for pregnant female employees, and provides 10-day maternity inspection leave, which is better than the law, so that colleagues can feel at ease to start a family and start a business. In addition, since 2023, two self-owned AED automatic external cardiac defibrillators have been added to the Nangang headquarters to improve the health and safety of colleagues.

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 employees and third parties. When there is any doubt, discovery or encounter with any unequal treatment in the workplace, or the company's norms, there is a fraud and violation of professional ethics reporting mailbox. Reports can be made to the management or human resource units, but not in the form of malicious framing. The company will handle the reported violations in a confidential manner; the company will protect the relevant personnel involved in the investigation process.
- (g) 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)	6	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	2	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.

None

5.6 Strengthening the Cyber Security Management

TECO set up the Information Security Management Committee, overseen the corporate governance and sustainability committee under the board of directors in 2021, in charge of supervision and governance of corporate information security. In the same year, the company passed ISMS ISO27001 certification.

In terms of system protection, this year, in order to ensure the stable and safe operation of the information system, the company strengthened the defense in depth, and aimed at the three main axes of information security protection: anti-virus, anti-hacking, and anti-leakage. Strengthen network firewall, anti-virus and network whitelist control, identify malicious traffic through the intrusion detection system, and actively block such traffic from entering the network. Improve the company's ability to defend against external attacks and ensure the security of internal confidential information, and ensure that the company's various information assets will not cause errors or interruptions in information services due to various threats and damages.

In terms of publicity and training, important regulations and precautions for information protection and information security are communicated from time to time, as well as online and physical employee information security education and training, and social engineering phishing email test drills are used to strengthen employee information security awareness and email the vigilance of social engineering attacks to ensure that information security management can be implemented in the daily work of each employee, and to ensure the applicability and suitability of the information security operation mechanism.

In terms of organizational management, in order to effectively implement information security management, the company continuously reviews the applicability of information security policies and the effectiveness of protection measures through the information security maintenance team and the management cycle mechanism (Plan-Do-Check-Act, PDCA). , and then through the management review mechanism of the Information Security Management Committee, examine the overall operation of the ISMS to ensure the consistency and effectiveness of the ISMS operation with policies and goals, so as to continuously improve the ISMS and ensure the reliable and normal operation of the ISMS.

This year, the company successfully passed the ISMS ISO27001 re-examination and evaluation. Through the third-party's verification, it is expected to effectively test the implementation of various information security management measures and establish a safe and reliable operating service environment. Provide customers with a stable and reliable production environment, reduce the company's operating risks, and return shareholders the greatest investment value and benefits.

Information Security Objectives

- Ensure that relevant information security measures or norms meet the requirements of information security policies and current laws and regulations, and conduct information security audits at least once a year.
- Test and review the business continuity plan at least once a year.
- Ensure that information assets are properly protected after risk assessment to prevent unauthorized or negligent damage to assets.
- Ensure that all information security incidents or suspicious security weaknesses are responded to in accordance with appropriate reporting procedures, and are properly investigated and dealt with.
- Ensure that the company's information security management system continues to operate normally and has passed third-party verification.
- Regularly implement information security education and training, and implement irregular education and training depending on the situation

5.7 Important Contracts

Agreement	Counterparty	Period	Major contents	Restrictions
1. Agency contract	Yu-Shih electric and others, totaling 882 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, automation product, power equipment 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, 2023	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, HSBC (Taiwan) Commercial Bank Co., Ltd., Bank of Taiwan Co., Ltd., Sumitomo Mitsui Banking Corporation Taipei Branch, China Trust Commercial Bank, Mizuho Bank Co., Ltd. Taipei Branch and First Commercial Bank Co., Ltd. and other banks	From March 15, 2019, no later than March 12, 2025	long-term financing contract, interest rate 0.95% -2.17%, and provide asset pledge guarantee for 31.25% of refinancing.	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

Agreement	Counterparty	Period	Major contents	Restrictions
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
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
13. Project Undertaking	Taipower Company	Signing date: April 14, 2022, the contract period is calculated from the day after the bid award date, with a total of 490 calendar days.	Longtan ultra-high voltage substation E/S energy storage equipment system	Nil

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Balance Sheet

A. Parent-only Condensed Balance Sheet

Unit: NT\$thousand

Year Item		Five-Year Financial Summary				
		2018	2019	2020	2021	2022
Current assets		10,343,772	9,287,505	10,468,388	12,524,083	11,921,611
Property, plant and equipment		3,739,530	3,520,118	3,093,090	3,089,295	2,724,752
Intangible assets		0	0	0	19	27,189
Other assets		58,712,398	62,737,576	68,034,837	94,720,319	85,004,956
Total assets		72,795,700	75,545,199	81,596,315	110,333,716	99,678,508
Current liabilities	Before distribution	8,468,684	11,002,572	10,139,131	11,680,748	10,755,629
	After distribution	10,239,608	12,950,588	12,598,747	14,568,123	13,963,824(Note)
Non current liabilities		10,648,356	7,836,123	9,628,889	9,439,205	8,897,945
Total liabilities	Before distribution	19,117,040	18,838,695	19,768,020	21,119,953	19,653,574
	After distribution	20,887,964	20,786,711	22,227,636	24,007,328	22,861,769(Note)
Equity attributable to owners of parent		53,678,660	56,706,504	61,828,295	89,213,763	80,024,934
Capital stock		20,026,929	19,676,929	19,676,929	21,387,966	21,387,966
Capital surplus		7,647,215	7,389,577	7,386,901	9,529,520	9,575,822
Retained earnings	Before distribution	25,221,021	26,390,805	27,936,917	30,727,392	31,220,437
	After distribution	23,450,097	24,442,789	25,477,301	27,840,017	28,012,242(Note)
Other equity interest		1,105,058	3,570,756	7,339,258	28,080,595	18,352,419
Treasury Stocks		(321,563)	(321,563)	(511,710)	(511,710)	(511,710)
Non-Controlling Interest		0	0	0	0	0
Total shareholders' equity	Before distribution	53,678,660	56,706,504	61,828,295	89,213,763	80,024,934
	After distribution	51,907,736	54,758,488	59,368,679	86,326,388	76,816,739(Note)

Note : Amounts resolved by the board meeting dated on March 15th 2023

B. Consolidated Condensed Balance Sheet

Unit: NT\$thousand

Year Item		Five-Year Financial Summary				
		2018	2019	2020	2021	2022
Current assets		43,760,371	43,946,576	45,792,352	49,333,671	50,317,421
Fixed assets		17,363,543	16,742,830	15,912,788	17,402,116	19,131,777
Intangible assets		5,557,343	5,200,634	5,269,715	4,439,567	4,668,399
Other assets		25,300,029	33,204,364	38,704,216	65,437,096	52,485,513
Total assets		91,981,286	99,094,404	105,679,071	136,612,450	126,603,110
Current liabilities	Before distribution	18,141,380	20,293,826	19,618,968	23,074,011	22,653,920
	After distribution	19,912,304	22,241,842	22,078,584	25,961,386	25,862,115(Note)
Non Current liabilities		15,348,991	17,095,788	18,434,871	17,876,508	17,630,691
Total liabilities	Before distribution	33,490,371	37,389,614	38,053,839	40,950,519	40,284,611
	After distribution	35,261,295	39,337,630	40,513,455	43,837,894	43,492,806(Note)
Equity attributable to owners of parent		53,678,660	56,706,504	61,828,295	89,213,763	80,024,934
Capital stock		20,026,929	19,676,929	19,676,929	21,387,966	21,387,966
Capital surplus		7,647,215	7,389,577	7,386,901	9,529,520	9,575,822
Retained earnings	Before distribution	25,221,021	26,390,805	27,936,917	30,727,392	31,220,437
	After distribution	23,450,097	24,442,789	25,477,301	27,840,017	28,012,242(Note)
Other equity interest		1,105,058	3,570,756	7,339,258	28,080,595	18,352,419
Treasury Stocks		(321,563)	(321,563)	(511,710)	(511,710)	(511,710)
Non-Controll Interesting	Before distribution	4,812,255	4,998,286	5,796,937	6,448,168	6,293,565
	After distribution	4,812,255	4,998,286	5,796,937	6,448,168	6,293,565
Total shareholders' equity	Before distribution	58,490,915	61,704,790	67,625,232	95,661,931	86,318,499
	After distribution	56,719,991	59,756,774	65,165,616	92,774,556	83,110,304(Note)

Note : Amounts resolved by the board meeting dated on March 15th 2023

6.1.2 Condensed Statement of Income

A. Parent-Only Condensed Statement of Income

Unit: NT\$thousand

Item \ Year	Five-Year Financial Summary				
	2018	2019	2020	2021	2022
Sales revenue	20,879,719	18,873,312	19,819,029	23,258,398	27,229,403
Gross profit	4,412,191	4,046,442	4,061,136	4,361,609	4,989,184
Operating profit	1,410,943	1,114,970	1,075,033	1,357,228	1,845,542
Non-operating income & expenses	1,883,866	2,387,349	2,583,162	3,998,521	2,270,799
Profit before income tax	3,294,809	3,502,319	3,658,195	5,355,749	4,116,341
Income from operations of continued segments - before tax	3,150,089	3,221,717	3,511,358	5,013,134	3,457,667
Income from discontinued departments	0	0	0	0	0
Profit for the year	3,150,089	3,221,717	3,511,358	5,013,134	3,457,667
Other Comprehensive Income for the year	402,449	2,453,917	3,751,272	20,968,385	(9,805,423)
Total Comprehensive Income for the year	3,552,538	5,675,634	7,262,630	25,981,519	(6,347,756)
Profit (loss) attributable to owners of parent	3,150,089	3,221,717	3,511,358	5,013,134	3,457,667
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	3,552,538	5,675,634	7,262,630	25,981,519	(6,347,756)
Total Comprehensive Income for the year profit (loss) attributable to non-controlling interest	0	0	0	0	0
Earnings per share	1.59	1.65	1.81	2.38	1.64

B. Consolidated Condensed Statement of Income

Unit: NT\$thousand

Item \ Year	Five-Year Financial Summary				
	2018	2019	2020	2021	2022
Sales revenue	50,104,927	47,909,358	45,823,430	51,248,387	58,315,216
Gross profit	12,052,659	11,481,649	10,756,093	11,436,939	13,184,302
Operating profit	3,520,486	3,536,445	3,534,057	3,760,718	5,073,654
Non-operating income & expenses	765,802	903,009	865,691	2,391,160	348,171
Profit before income tax	4,286,288	4,439,454	4,399,748	6,151,878	5,421,825
Income from operations of continued segments - before tax	3,475,969	3,518,780	3,811,648	5,502,191	3,992,010
Income from discontinued departments	0	0	0	0	0
Profit for the year	3,475,969	3,518,780	3,811,648	5,502,191	3,992,010
Other Comprehensive Income for the year	433,011	2,520,910	3,791,939	21,474,459	(10,137,765)
Total Comprehensive Income for the year	3,908,980	6,039,690	7,603,587	26,976,650	(6,145,755)
Profit (loss) attributable to owners of parent	3,150,089	3,221,717	3,511,358	5,013,134	3,457,667
Profit (loss) attributable to non-controlling interest	325,880	297,063	300,290	489,057	534,343
Total Comprehensive Income for the year profit (loss) attributable to owners of parent	3,552,538	5,675,634	7,262,630	25,981,519	(6,347,756)
Total Comprehensive Income for the year profit (loss) attributable to non-controlling interest	356,442	364,056	340,957	995,131	202,001
Earnings per share	1.59	1.65	1.81	2.38	1.64

6.1.3 Auditors' Opinions in the Recent Five Years

Year	CPA Firm	CPA's Name	Auditing Opinion
2022	PricewaterhouseCoopers, Taiwan	Wu, Yu-Lung Chou, Chien-Hung	Unqualified Opinion(Other Item)
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)

6.2 Five-Year Financial Analysis

6.2.1 Parent-Only Five-Year Financial Analysis

Item		Year	Financial analysis in the past five years				
			2018	2019	2020	2021	2022
Financial structure (%)	Ratio of liabilities to assets		26.26	24.94	24.23	18.97	19.72
	Ratio of long-term capital to fixed assets		1,656.05	1,761.49	2,231.05	3,147.57	3,170.01
Solvency (%)	Current ratio		122.14	84.41	103.25	107.23	110.84
	Quick ratio		74.89	48.97	63.53	57.23	58.81
	Times interest earned ratio		35.78	35.91	41.15	79.67	57.20
Operating ability	Accounts receivable turnover (turns)		5.63	5.47	5.52	5.39	5.93
	Average collection period		64.83	66.73	66.12	67.72	61.55
	Inventory turnover (turns)		5.58	5.20	5.57	5.78	6.17
	Accounts payable turnover (turns)		3.59	3.65	3.80	3.72	3.97
	Average days in sales		65.41	70.19	65.53	63.15	59.16
	Fixed assets turnover (turns)		5.57	5.20	5.99	7.46	9.37
	Total assets turnover (turns)		0.29	0.25	0.25	0.24	0.26
Profitability	Return on total assets (%)		4.49	4.45	4.56	5.29	3.35
	Return on stockholders' equity (%)		5.97	5.84	5.92	6.64	4.09
	Ratio of pre-tax income to issued capital		16.45	17.80	18.59	25.05	19.25
	Profit ratio (%)		15.09	17.07	17.72	21.85	12.70
	Earnings per share (\$)		1.59	1.65	1.81	2.38	1.64
Cash flow	Cash flow ratio (%)		14.06	16.85	25.00	17.73	43.57
	Cash flow adequacy ratio (%)		67.68	68.53	87.75	75.53	80.95
	Cash reinvestment ratio (%)		-0.79	-0.13	0.09	-0.80	1.51
Leverage	Operating leverage		3.77	4.19	4.23	3.42	2.97
	Financial leverage		1.07	1.10	1.09	1.05	1.04
Key Indicator	Sales growth (%)		-1.98	-9.61	5.01	15.75	17.07
	Profit after tax growth (%)		1.87	2.27	8.99	42.77	-31.03

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

1. Times interest earned ratio: the decrease was mainly due to the unrealized loss of financial assets recognized by the subsidiary, resulting in a decrease in investment income under the equity method, and the combined impact of an increase in interest expenses due to an increase in interest rates.
2. Fixed assets turnover (turns): The increase was mainly due to the increase in sales revenue during the current period.
3. Return on total assets : the decrease was mainly due to the unrealized loss of financial assets recognized by the subsidiary, resulting in a decrease in investment income under the equity method and profit for the year.
4. Return on stockholders' equity: the decrease was mainly due to the unrealized loss of financial assets recognized by the subsidiary, resulting in a decrease in investment income under the equity method and profit for the year.
5. Ratio of pre-tax income to issued capital: the decrease was mainly due to the unrealized loss of financial assets recognized by the subsidiary, resulting in a decrease in investment income under the equity method and profit for the year.
6. Profit ratio: the decrease was mainly due to the unrealized loss of financial assets recognized by the subsidiary, resulting in a decrease in investment income under the equity method and profit for the year.
7. Earnings per share: the decrease was mainly due to the unrealized loss of financial assets recognized by the subsidiary, resulting in a decrease in investment income under the equity method and profit for the year.
8. Cash flow ratio: The increase was mainly due to the increase in sales revenue and profit for the year, as well as the fund of air conditioners project for high and elementary school, which resulted in an increase in cash flow from operating activities.
9. Cash flow reinvestment ratio: The increase was mainly due to the increase in sales revenue and profit for the year, as well as the fund of air conditioners project for high and elementary school, which resulted in an increase in cash flow from operating activities.
10. Profit after tax growth: The decrease was mainly due to less investment income under 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				
			2018	2019	2020	2021	2022
Financial structure (%)	Ratio of liabilities to assets		36.41	37.73	36.01	29.98	31.82
	Ratio of long-term capital to fixed assets		398.75	414.38	483.48	686.12	495.23
Solvency (%)	Current ratio		241.22	216.55	233.41	213.81	222.11
	Quick ratio		168.39	157.24	175.05	148.42	152.78
	Times interest earned ratio		20.66	17.95	19.59	31.51	27.58
Operating ability	Accounts receivable turnover (turns)		4.64	4.59	4.41	4.69	5.08
	Average collection period		78.66	79.52	82.77	77.83	71.85
	Inventory turnover (turns)		3.11	3.21	3.36	3.42	3.41
	Accounts payable turnover (turns)		4.84	4.83	4.58	4.33	4.45
	Average days in sales		117.36	113.71	108.63	106.73	107.04
	Fixed assets turnover (turns)		2.84	2.81	2.81	3.29	3.19
	Total assets turnover (turns)		0.54	0.50	0.45	0.42	0.44
Profitability	Return on total assets (%)		3.97	3.90	3.91	4.67	3.16
	Return on stockholders' equity (%)		5.97	5.86	5.89	6.74	4.39
	Ratio of Pre-tax income to issued capital (%) (Note7)		21.40	22.56	22.36	28.76	25.35
	Profit ratio (%)		6.94	7.34	8.32	10.74	6.85
	Earnings per share (\$)		1.59	1.65	1.81	2.38	1.64
Cash flow	Cash flow ratio (%)		23.86	29.21	27.97	17.84	28.15
	Cash flow adequacy ratio (%)		116.89	126.69	134.73	126.64	117.78
	Cash reinvestment ratio (%)		2.57	3.82	2.70	0.88	2.50
Leverage	Operating leverage		3.96	3.93	3.72	2.88	2.87
	Financial leverage		1.07	1.08	1.07	1.04	1.04
Key Indicator	Sales growth (%)		-1.64	-4.38	-4.35	11.84	13.79
	Profit after tax growth (%)		-1.93	1.23	8.32	44.35	-27.45

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

1. Ratio of long-term capital to fixed assets: The decrease was mainly due to the unrealized loss arising from the financial assets measured at fair value through other comprehensive income in 2022, which resulted in a decrease in equity.
2. Return on total assets : the decrease was mainly due to the unrealized loss of financial assets, which is classified as a non-operating loss, resulting in a decrease in the profit for the year.
3. Return on stockholders' equity: the decrease was mainly due to the unrealized loss of financial assets, which is classified as a non-operating loss, resulting in a decrease in the profit for the year.
4. Profit ratio: the decrease was mainly due to the unrealized loss of financial assets, which is classified as a non-operating loss, resulting in a decrease in the profit for the year.
5. Earnings per share: the decrease was mainly due to the unrealized loss of financial assets, which is classified as a non-operating loss, resulting in a decrease in the profit for the year.
6. Cash flow ratio: The increase was mainly due to the increase in sales revenue and profit for the year, as well as the fund of air conditioners project for high and elementary school, which resulted in an increase in cash flow from operating activities.
7. Cash flow reinvestment ratio: The increase was mainly due to the increase in sales revenue and profit for the year, as well as the fund of air conditioners project for high and elementary school, which resulted in an increase in cash flow from operating activities.
8. Profit after tax growth: the decrease was mainly due to the unrealized loss of financial assets, which is classified as a non-operating loss, resulting in a decrease in the profit for the year.

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 2022 (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 2023

TECO Electric & Machinery Co., Ltd

Audit Committee Convener : Wei-Chi Liu

Date: March 15, 2023

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, 2022 and 2021, 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, 2022 and 2021, 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 Standards on Auditing of 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.

Emphasis of matter – Retrospective restatement of the parent company only financial statements for the year ended December 31, 2021

On March 16, 2022, we have audited and expressed an unqualified opinion with an *Other matter* section on the parent company only financial statements of Teco Electric & Machinery Co., Ltd. as at and for the year ended December 31, 2021. As described in Notes 4(33) and 6(30) of the financial statements, the Company engaged in a short-form merger with the subsidiary, Teco Smart Technologies Co., Ltd., on October 1, 2022. In accordance with the Accounting Research and Development Foundation Interpretation 101-301, the subsidiary was considered as consolidated at the beginning and shall retrospectively restate the parent company only financial statements for the year ended December 31, 2021. Our opinion is not modified in respect of the Company's restated parent company only financial statements for the year ended December 31, 2021.

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 2022 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\$4,141,796 thousand and NT\$3,875,845 thousand, both constituting 4% of the related total assets as of December 31, 2022 and 2021, and the comprehensive income amounting to NT\$245,915 thousand and NT\$256,818 thousand, constituting (4%) and 1% of the total comprehensive income for the years then ended, respectively.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 Standards on Auditing of 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 Standards on Auditing of Republic of China, we exercise professional judgement and 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, 2023

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

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

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

			December 31, 2022		December 31, 2021			
					(Restated)			
Assets			Notes	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1) and 8	\$	804,916	1	\$	253,997	-
1140	Current contract assets			2,112,996	2		2,322,233	2
1150	Notes receivable, net	6(4)		269,696	-		234,769	
1160	Notes receivable - related parties	7		573,028	1		380,157	-
1170	Accounts receivable, net	6(4)		1,976,266	2		2,541,096	2
1180	Accounts receivable - related parties	7		1,578,608	2		1,566,175	2
1200	Other receivables			96,669	-		103,827	-
1210	Other receivables - related parties	6(6) and 7		550,186	1		606,262	1
130X	Inventories, net	6(5)		3,396,654	3		3,473,507	3
1410	Prepayments			86,056	-		54,990	-
1470	Other current assets	6(1) and 8		476,536	-		987,070	1
11XX	Total current assets			11,921,611	12		12,524,083	11
Non-current assets								
1510	Non-current financial assets at fair value through profit or loss	6(2)		2,155,192	2		2,322,450	2
1517	Non-current financial assets at fair value through other comprehensive income	6(3)		16,091,157	16		11,759,402	11
1550	Investments accounted for under equity method	6(6)		63,565,377	64		77,120,718	70
1600	Property, plant and equipment, net	6(7) and 7		2,724,752	3		3,089,295	3
1755	Right-of-use assets	6(8) and 7		121,532	-		38,076	-
1760	Investment property, net	6(9)		2,365,935	2		2,103,867	2
1780	Intangible assets	6(10)		27,189	-		19	-
1840	Deferred income tax assets	6(27)		573,483	1		892,486	1
1900	Other non-current assets	6(1)(11) and 8		132,280	-		483,320	-
15XX	Total non-current assets			87,756,897	88		97,809,633	89
1XXX	Total assets		\$	99,678,508	100	\$	110,333,716	100

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

			December 31, 2022		December 31, 2021			
					(Restated)			
Liabilities and Equity			Notes	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(12)	\$	-	-	\$	545,307	1
2120	Current financial liabilities at fair value through profit or loss	6(13)		3,845	-		-	-
2130	Current contract liabilities	6(21)		1,145,375	1		979,210	1
2150	Notes payable			57,919	-		56,069	
2160	Notes payable - related parties	7		64,712	-		76,417	-
2170	Accounts payable			4,180,733	4		3,989,754	4
2180	Accounts payable - related parties	7		1,347,033	2		1,425,978	1
2200	Other payables			3,001,050	3		2,888,766	3
2220	Other payables - related parties	7		168,513	-		180,182	-
2230	Current income tax liabilities	6(27)		408,383	1		266,473	-
2250	Provisions for liabilities - current			92,691	-		105,744	-
2280	Current lease liabilities	6(8) and 7		91,479	-		11,532	-
2320	Long-term liabilities, current portion	6(14)		-	-		1,000,000	1
2399	Other current liabilities, others			193,896	-		155,316	-
21XX	Total current liabilities			<u>10,755,629</u>	<u>11</u>		<u>11,680,748</u>	<u>11</u>
Non-current liabilities								
2530	Corporate bonds payable	6(14)		5,000,000	5		5,000,000	4
2540	Long-term borrowings	6(15)		1,350,000	2		2,000,000	2
2550	Provisions for liabilities - non-current			106,678	-		-	-
2570	Deferred income tax liabilities	6(27)		1,234,836	1		1,087,468	1
2580	Non-current lease liabilities	6(8) and 7		8,467	-		1,294	-
2600	Other non-current liabilities	6(16)		1,197,964	1		1,350,443	1
25XX	Total non-current liabilities			<u>8,897,945</u>	<u>9</u>		<u>9,439,205</u>	<u>8</u>
2XXX	Total liabilities			<u>19,653,574</u>	<u>20</u>		<u>21,119,953</u>	<u>19</u>
Equity								
	Share capital	6(17)						
3110	Common stock			21,387,966	21		21,387,966	20
	Capital surplus	6(18)						
3200	Capital surplus			9,575,822	9		9,529,520	8
	Retained earnings	6(19)						
3310	Legal reserve			7,899,057	8		7,374,048	7
3320	Special reserve			3,640,779	4		3,640,779	3
3350	Unappropriated retained earnings			19,680,601	20		19,712,565	18
	Other equity interest	6(20)						
3400	Other equity interest			18,352,419	19		28,080,595	25
3500	Treasury stocks	6(6)(17)	(	511,710)	(1)	(	511,710)	-
3XXX	Total equity			<u>80,024,934</u>	<u>80</u>		<u>89,213,763</u>	<u>81</u>
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	Total liabilities and equity		\$	99,678,508	100	\$	110,333,716	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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Year ended December 31			
			2022		2021	
					(Restated)	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(21) and 7		\$ 27,229,403	100	\$ 23,258,398	100
5000 Operating costs	6(5)(16)(26) and 7	(	22,204,807	(82)	(18,971,202)	(81)
5900 Net operating margin			5,024,596	18	4,287,196	19
5910 Unrealized profit from sales	7	(	411,132)	(1)	(375,720)	(2)
5920 Realized profit from sales			375,720	1	450,133	2
5950 Net operating margin			4,989,184	18	4,361,609	19
Operating expenses	6(16)(26), 7 and 12(2)					
6100 Selling expenses		(	2,006,530)	(7)	(1,882,448)	(8)
6200 General and administrative expenses		(	595,895)	(2)	(561,417)	(2)
6300 Research and development expenses		(	542,554)	(2)	(567,739)	(3)
6450 Expected credit impairment losses			1,337	-	7,223	-
6000 Total operating expenses		(	3,143,642)	(11)	(3,004,381)	(13)
6900 Operating profit			1,845,542	7	1,357,228	6
Non-operating income and expenses						
7100 Interest income	6(22) and 7		9,890	-	2,848	-
7010 Other income	6(3)(9)(23) and 7		991,812	3	919,830	4
7020 Other gains and losses	6(2)(13)(24) and 7	(	481,909)	(2)	(261,124)	(1)
7050 Finance costs	6(8)(25) and 7	(	73,251)	-	(71,014)	-
7070 Share of profit of subsidiary, associates and joint ventures accounted for under equity method	6(6)		1,824,257	7	3,407,981	14
7000 Total non-operating income and expenses			2,270,799	8	3,998,521	17
7900 Profit before income tax			4,116,341	15	5,355,749	23
7950 Income tax expense	6(27)	(	658,674)	(2)	(342,615)	(1)
8200 Profit for the year			\$ 3,457,667	13	\$ 5,013,134	22
Other comprehensive income						
Other comprehensive income that will not be reclassified to profit or loss						
8311 Other comprehensive income (loss), before tax, actuarial losses on defined benefit plans	6(16)		\$ 56,332	-	(\$ 20,206)	-
8316 Unrealised gains and losses on valuation of investments measured at fair value through other comprehensive income	6(3)(20)		4,190,884	15	1,304,003	5
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		(	15,632,304)	(57)	(20,709,937)	(89)
8310 Components of other comprehensive income that will not be reclassified to profit or loss		(	11,385,088)	(42)	(21,993,734)	(94)
Other comprehensive income (loss) that will be reclassified to profit or loss						
8361 Currency translation differences of foreign operations	6(20)		1,910,986	7	(1,159,046)	(5)
8399 Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(20)(27)	(	331,321)	(1)	(133,697)	(1)
8360 Components of other comprehensive loss that will be reclassified to profit or loss			1,579,665	6	(1,025,349)	(4)
8300 Other comprehensive (loss) income for the year		(	\$ 9,805,423)	(36)	\$ 20,968,385	90
8500 Total comprehensive (loss) income for the year		(	\$ 6,347,756)	(23)	\$ 25,981,519	112
Earnings per share (in dollars)	6(28)					
9750 Basic earnings per share			\$ 1.64		\$ 2.38	
9850 Diluted earnings per share			\$ 1.64		\$ 2.38	

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, 2022 AND 2021
(Balance as of 2021 has been restated)
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained Earnings				Other equity interest			Treasury stocks	Total equity
		Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income		
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
Other comprehensive (loss) income for the year	6(20)	-	-	-	-	(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
Appropriations of 2020 earnings	6(19)	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	349,413	-	(349,413)	-	-	-	-
Cash dividends		-	-	-	-	(2,459,616)	-	-	-	(2,459,616)
Common shares issued for share conversion	6(17)	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		-	-	-	-	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	6(20)	-	44,735	-	-	-	-	-	-	44,735
Effect of changes in decrease in entities of associates		-	-	-	-	284,557	-	(284,557)	-	-
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
2022										
Balance at January 1, 2022		\$ 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
Profit for the year		-	-	-	-	3,457,667	-	-	-	3,457,667
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	66,771	1,579,665	(11,451,859)	-	(9,805,423)
Total comprehensive income (loss)		-	-	-	-	3,524,438	1,579,665	(11,451,859)	-	(6,347,756)
Appropriations of 2021 earnings	6(19)	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	525,009	-	(525,009)	-	-	-	-
Cash dividends		-	-	-	-	(2,887,375)	-	-	-	(2,887,375)
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	46,302	-	-	-	-	-	-	46,302
Disposal of investments in equity instruments at fair value through other comprehensive income	6(20)	-	-	-	-	(144,018)	-	144,018	-	-
Balance at December 31, 2022		\$ 21,387,966	\$ 9,575,822	\$ 7,899,057	\$ 3,640,779	\$ 19,680,601	\$ 2,453,451	\$ 20,805,870	\$ 511,710	\$ 80,024,934

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, 2022 AND 2021
 (Expressed in thousands of New Taiwan dollars)

	Notes	2022	2021 (Restated)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 4,116,341	\$ 5,355,749
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(24)	143,577	(340,478)
Net loss on financial liabilities at fair value through profit or loss	6(13)(24)	17,281	852
Expected credit impairment gain	12(2)	(1,337)	(7,223)
Interest income	6(22)	(9,890)	(2,848)
Interest expense	6(25)	70,880	69,077
Dividend income	6(23)	(616,443)	(499,979)
Impairment loss	6(24)	-	7,388
Loss on disposal of investments	6(24)	-	3,481
Changes in unrealized gain from downstream sales		35,412	(74,413)
Share of profit of associates and joint ventures accounted for under the equity method	6(6)	(1,824,257)	(3,407,981)
Depreciation, amortization and net gain or loss on disposal of property, plant and equipment, net	6(7)(8)(9)(24)(26)	413,615	424,604
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		209,237	(1,100,822)
Notes receivable		(34,927)	(104,155)
Notes receivable - related parties		(192,871)	(119,375)
Accounts receivable		568,840	(434,503)
Accounts receivable - related parties		(4,984)	(210,003)
Other receivables		7,158	(12,902)
Other receivables - related parties		56,076	9,247
Inventories		76,853	(620,540)
Prepayments		(31,066)	31,176
Other current assets		(77,878)	117,592
Financial assets at fair value through profit or loss - non-current		23,681	185,134
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss-current		(13,436)	(852)
Current contract liabilities		166,165	(79,719)
Notes payable		1,850	50,042
Notes payable - related parties		(11,705)	(38,790)
Accounts payable		190,979	417,148
Accounts payable - related parties		(78,945)	542,205
Other payables		139,051	243,080
Other payables - related parties		(11,669)	1,631
Provisions for liabilities - current		(13,053)	7,156
Provisions for liabilities - non-current		106,678	-
Other current liabilities		38,580	34,767
Other non-current liabilities		(104,467)	(92,996)
Cash inflow generated from operations		3,355,326	352,750
Interest received	6(22)	9,890	2,848
Dividends received		1,776,932	1,939,580
Payment of interest		(73,811)	(69,259)
Payment of income tax		(381,714)	(203,550)
Net cash flows from operating activities		4,686,623	2,022,369

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
 (Expressed in thousands of New Taiwan dollars)

	Notes	2022	2021 (Restated)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in other receivables - related parties - financing	7	\$ -	\$ 98,722
Decrease in restricted bank deposit	8	588,412	-
Increase in non-current financial assets at fair value through other comprehensive income		(140,871)	-
Increase in investments accounted for under equity method		(118,377)	(230,304)
Proceeds from disposal of property, plant and equipment		-	7,214
Acquisition of property, plant and equipment	6(7)(29)	(225,570)	(248,883)
Increase in deferred expenses		(36,826)	(11,869)
(Increase) decrease in refundable deposits		(7,425)	8,510
Decrease (increase) in bank deposit under the regulation governing the management, utilization, and taxation of repatriated offshore funds	6(11)	361,224	(191,813)
Dividends received		616,443	499,979
Proceeds from disposal of investments accounted for under the equity method		10,875	5,869
Decrease (increase) in other non-current assets		16,557	(749)
Net cash flows from (used in) investing activities		<u>1,064,442</u>	<u>(63,324)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term loans		(545,307)	(721,853)
Repayment of bonds	6(14)	(1,000,000)	-
(Decrease) increase in long-term loans		(650,000)	820,000
Cash dividends paid	6(19)	(2,887,375)	(2,459,616)
Acquisition of intangible assets		(34,527)	-
Lease liabilities paid		(82,937)	(86,148)
Net cash flows used in financing activities		<u>(5,200,146)</u>	<u>(2,447,617)</u>
Net increase (decrease) in cash and cash equivalents		550,919	(488,572)
Cash and cash equivalents at beginning of year		253,997	742,569
Cash and cash equivalents at end of year		<u>\$ 804,916</u>	<u>\$ 253,997</u>

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

TECO ELECTRIC & MACHINERY CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(Balance as of 2021 has been restated)

(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. The Company merged with Taian Electric Co., Ltd. in 2003. Under the merger, the Company was the surviving company while Taian Electric Co., Ltd. was the dissolved company. The Company merged with Anyang Electric Co., Ltd. and Tontai Technology Co., Ltd. in 2011. Under the merger, the Company was the surviving company while Anyang Electric Co., Ltd. and Tontai Technology Co., Ltd. were the dissolved company. On October 1, 2022, the Company engaged in a short-form merger with the wholly-owned subsidiary, Teco Smart Technologies Co., Ltd.. Under the merger, the Company was the surviving company while Teco Smart Technologies Co., Ltd. was the dissolved company.

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 15, 2023.

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”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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.

(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 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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.

(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
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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 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 consolidated financial statements. Owners' equity in the financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.
- (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.

(33) Intra-group reorganisation

The Company engaged in a short-form merger with the subsidiary, Teco Smart Technologies Co., Ltd., on October 1, 2022, which was a reorganisation. In accordance with the Accounting Research and Development Foundation Interpretation 101-301, the transaction was recognized using book value method, the subsidiary was considered as consolidated at the beginning and shall retrospectively restate the parent company only financial statements for the year ended December 31, 2021.

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, 2022	December 31, 2021
Cash on hand and revolving funds	\$ 306	\$ 385
Checking accounts and demand deposits	153,015	253,612
Time deposits	651,595	-
	<u>\$ 804,916</u>	<u>\$ 253,997</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, 2022 and 2021, certain bank deposits amounting to \$219,345 and \$1,168,981, 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, 2022	December 31, 2021
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed and OTC stocks	\$ 869,386	\$ 874,131
Non-listed and OTC stocks	810,394	810,394
Money Market Fund	190,606	209,500
	<u>1,870,386</u>	<u>1,894,025</u>
Valuation adjustment	284,806	428,425
	<u>\$ 2,155,192</u>	<u>\$ 2,322,450</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, 2022	For the year ended December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	(\$ 143,577)	\$ 340,478

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, 2022	December 31, 2021
Non-current items:		
Listed and OTC stocks	\$ 9,567,149	\$ 9,426,278
Non-listed and OTC stocks	47,148	47,148
	9,614,297	9,473,426
Valuation adjustment	6,476,860	2,285,976
	<u>\$ 16,091,157</u>	<u>\$ 11,759,402</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 \$16,091,157 and \$11,759,402 as at December 31, 2022 and 2021, 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, 2022	For the year ended December 31, 2021
Fair value change recognized in other comprehensive income	<u>\$ 4,190,884</u>	<u>\$ 1,304,003</u>
Cumulative gains reclassified to retained earnings due to derecognition	<u>\$ -</u>	<u>\$ -</u>
Dividend income recognised in profit or loss		
Held at end of year	<u>\$ 508,804</u>	<u>\$ 414,965</u>
Derecognised during the year	<u>\$ -</u>	<u>\$ -</u>

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

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Notes 12(2) and (3).

(4) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 270,421	\$ 235,374
Less: Allowance for bad debts	(725)	(605)
	<u>\$ 269,696</u>	<u>\$ 234,769</u>
Accounts receivable	\$ 2,009,374	\$ 2,568,211
Less: Allowance for bad debts	(33,108)	(27,115)
	<u>\$ 1,976,266</u>	<u>\$ 2,541,096</u>

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

	December 31, 2022	December 31, 2021
Not past due	\$ 1,656,343	\$ 2,199,486
Up to 30 days	218,655	217,498
31 to 90 days	40,942	59,913
91 to 180 days	67,380	60,745
Over 180 days	296,475	265,943
	<u>\$ 2,279,795</u>	<u>\$ 2,803,585</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, 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, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,041,201	(\$ 81,295)	\$ 959,906
Work in progress	645,057	(1,219)	643,838
Finished goods	1,709,960	(79,855)	1,630,105
Inventory in transit	162,805	-	162,805
	<u>\$ 3,559,023</u>	<u>(\$ 162,369)</u>	<u>\$ 3,396,654</u>
	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,187,606	(\$ 76,037)	\$ 1,111,569
Work in progress	560,242	(3,969)	556,273
Finished goods	1,747,822	(84,056)	1,663,766
Inventory in transit	141,899	-	141,899
	<u>\$ 3,637,569</u>	<u>(\$ 164,062)</u>	<u>\$ 3,473,507</u>

The cost of inventories recognized as expense for the years ended December 31, 2022 and 2021 was \$14,534,670 and \$13,603,668, respectively, including \$56,381 and \$102,039 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, 2022 and 2021, respectively.

(6) Investments accounted for under the equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries:		
1. Teco International Investment Co., Ltd.	\$ 1,640,215	\$ 1,811,724
2. Teco Holding USA Inc.	11,712,525	10,353,077
3. Teco Electric & Machinery (Pte) Ltd.	3,558,079	3,304,645
4. Tong-An Investment Co., Ltd.	19,309,155	35,432,266
5. United View Global Investment Co., Ltd.	8,290,872	7,933,545
6. Micropac Worldwide Investment (BVI)	1,212,898	1,215,005
7. Tong-An Assets Management & Development Co., Ltd.	5,298,140	5,290,937
8. Eagle Holding Co.	4,805,052	4,281,054
9. Century Development Corporation	1,375,539	1,365,341
10. Others	3,731,049	3,582,509
	<u>60,933,524</u>	<u>74,570,103</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associates:		
1. Tung Pei Industrial Co., Ltd.	\$ 2,440,891	\$ 2,313,312
2. Lien Chang Electronic Enterprise Co., Ltd.	487,575	498,574
3. Others	114,519	114,449
	<u>3,042,985</u>	<u>2,926,335</u>
	63,976,509	77,496,438
Less: Unrealized profit from sales	(411,132)	(375,720)
	63,565,377	77,120,718
Less: Credit balance of investments accounted for using equity method such as Teco 3C (shown as deductions on other receivables - related parties and other current liabilities)	(14,037)	(9,705)
	<u>\$ 63,551,340</u>	<u>\$ 77,111,013</u>

The share of profit/loss of associates and joint ventures accounted for under equity method for the years ended December 31, 2022 and 2021 are as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Subsidiaries:		
1. Teco Holding USA Inc.	\$ 370,644	\$ 231,794
2. Teco Electric & Machinery (Pte) Ltd.	129,620	71,951
3. Tong-An Investment Co., Ltd.	(565,550)	1,515,812
4. United View Global Investment Co., Ltd.	659,373	322,588
5. Eagle Holding Co.	308,783	291,581
6. Tong Dai Co., Ltd.	119,457	87,196
7. Century Development Co., Ltd.	93,672	94,203
8. Others	470,644	485,358
	<u>1,586,643</u>	<u>3,100,483</u>
Associates:		
1. Tung Pei Industrial Co., Ltd.	245,014	253,922
2. Lien Chang Electronic Enterprise Co., Ltd.	1,528	38,830
3. Others	(8,928)	14,746
	<u>237,614</u>	<u>307,498</u>
	<u>\$ 1,824,257</u>	<u>\$ 3,407,981</u>

A. Subsidiaries:

- (a) For the years ended December 31, 2022 and 2021, 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 \$245,915 and \$256,818 for the years ended December 31, 2022 and 2021, respectively. The related balance of investment accounted for using equity method was \$4,141,796 and \$3,875,845 as of December 31, 2022 and 2021, respectively.
- (b) As of December 31, 2022 and 2021, the Company's common stocks owned by its subsidiaries, Tong-An Investment Co., Ltd. and others, both totalling \$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 2022 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, 2022	December 31, 2021		
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, 2022	December 31, 2021
Current assets	\$ 4,504,756	\$ 4,638,552
Non-current assets	7,456,618	7,178,933
Current liabilities	(2,548,354)	(2,936,294)
Non-current liabilities	(1,622,810)	(1,450,643)
Total assets	<u>\$ 7,790,210</u>	<u>\$ 7,430,548</u>
Share in associate's net assets	\$ 2,440,891	\$ 2,313,312
Goodwill	-	-
Carrying amount of the associate	<u>\$ 2,440,891</u>	<u>\$ 2,313,312</u>
	Lien Chang Electronic Enterprise Co., Ltd.	
	December 31, 2022	December 31, 2021
Current assets	\$ 1,465,956	\$ 1,610,794
Non-current assets	409,658	460,488
Current liabilities	(368,510)	(508,731)
Non-current liabilities	(66,450)	(89,398)
Total assets	<u>\$ 1,440,654</u>	<u>\$ 1,473,153</u>
Share in associate's net assets	\$ 487,575	\$ 498,574
Goodwill	-	-
Carrying amount of the associate	<u>\$ 487,575</u>	<u>\$ 498,574</u>

Statement of comprehensive income

Tung Pei Industrial Co., Ltd.		
	For the year ended December 31, 2022	For the year ended December 31, 2021
Revenue	\$ 5,430,538	\$ 5,790,986
Profit for the period from continuing operations	747,688	816,173
Other comprehensive income (loss), net of tax	61,122	(2,081)
Total comprehensive income	\$ 808,810	\$ 814,092
Dividends received from associates	\$ 117,435	\$ 74,376

Lien Chang Electronic Enterprise Co., Ltd.		
	For the year ended December 31, 2022	For the year ended December 31, 2021
Revenue	\$ 1,000,634	\$ 1,566,696
Profit for the period from continuing operations	10,418	114,731
Other comprehensive income, net of tax	12,904	9,406
Total comprehensive income	\$ 23,322	\$ 124,137
Dividends received from associates	\$ 16,894	\$ 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, 2022 and 2021, the carrying amount of the Company's individually immaterial associates amounted to \$114,519 and \$114,449, respectively.

	For the year ended December 31, 2022	For the year ended December 31, 2021
(Loss) profit for the period from continuing operations	(\$ 8,928)	\$ 14,746
Total comprehensive (loss) income	(\$ 8,928)	\$ 14,746

- (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, 2022	December 31, 2021
Lien Chang Electronic Enterprise Co., Ltd.	\$ 372,043	\$ 519,959

- C. The Company has no investments accounted for using equity method pledged to others as collateral.

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Leased assets - Machinery and equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Total
<u>At January 1, 2022</u>								
Cost	\$ 1,538,754	\$ 1,360,971	\$ 4,827,195	\$ 630,893	\$ 3,069	\$ 273,637	\$ 3,569,722	\$ 12,204,241
Accumulated depreciation and impairment	(34,697)	(674,571)	(4,423,637)	(596,318)	(2,788)	(218,366)	(3,164,569)	(9,114,946)
2022	\$ 1,504,057	\$ 686,400	\$ 403,558	\$ 34,575	\$ 281	\$ 55,271	\$ 405,153	\$ 3,089,295
Opening net book amount	\$ 1,504,057	\$ 686,400	\$ 403,558	\$ 34,575	\$ 281	\$ 55,271	\$ 405,153	\$ 3,089,295
Additions	-	5,562	75,104	-	611	14,153	108,113	203,543
Disposals	-	-	(2,646)	-	-	-	(880)	(3,526)
Reclassifications	(160,067)	(148,682)	6,882	(6,435)	-	-	(447)	(308,749)
Depreciation charge	-	(28,895)	(92,556)	(1,035)	(187)	(16,872)	(116,266)	(255,811)
Closing net book amount	\$ 1,343,990	\$ 514,385	\$ 390,342	\$ 27,105	\$ 705	\$ 52,552	\$ 395,673	\$ 2,724,752
<u>At December 31, 2022</u>								
Cost	\$ 1,378,687	\$ 1,024,585	\$ 4,649,433	\$ 614,740	\$ 3,680	\$ 287,790	\$ 3,498,196	\$ 11,457,111
Accumulated depreciation and impairment	(34,697)	(510,200)	(4,259,091)	(587,635)	(2,975)	(235,238)	(3,102,523)	(8,732,359)
	\$ 1,343,990	\$ 514,385	\$ 390,342	\$ 27,105	\$ 705	\$ 52,552	\$ 395,673	\$ 2,724,752

	Leased assets -							
	Land	Buildings and structures	Machinery and equipment	machinery and equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Total
At January 1, 2021								
Cost	\$ 1,551,531	\$ 1,372,384	\$ 4,883,598	\$ 650,462	\$ 4,694	\$ 224,977	\$ 3,591,624	\$ 12,279,270
Accumulated depreciation and impairment	(34,697)	(649,608)	(4,465,054)	(608,061)	(4,054)	(205,410)	(3,210,859)	(9,177,743)
	<u>\$ 1,516,834</u>	<u>\$ 722,776</u>	<u>\$ 418,544</u>	<u>\$ 42,401</u>	<u>\$ 640</u>	<u>\$ 19,567</u>	<u>\$ 380,765</u>	<u>\$ 3,101,527</u>
2021								
Opening net book amount	\$ 1,516,834	\$ 722,776	\$ 418,544	\$ 42,401	\$ 640	\$ 19,567	\$ 380,765	\$ 3,101,527
Additions	-	7,237	61,315	-	-	48,660	158,840	276,052
Disposals	(3,020)	(3,688)	(3,153)	-	(213)	-	(899)	(10,973)
Reclassifications	(9,757)	(11,354)	25,416	(6,791)	-	-	(441)	(2,927)
Depreciation charge	-	(28,571)	(98,564)	(1,035)	(146)	(12,956)	(133,112)	(274,384)
Closing net book amount	<u>\$ 1,504,057</u>	<u>\$ 686,400</u>	<u>\$ 403,558</u>	<u>\$ 34,575</u>	<u>\$ 281</u>	<u>\$ 55,271</u>	<u>\$ 405,153</u>	<u>\$ 3,089,295</u>
At December 31, 2021								
Cost	\$ 1,538,754	\$ 1,360,971	\$ 4,827,195	\$ 630,893	\$ 3,069	\$ 273,637	\$ 3,569,722	\$ 12,204,241
Accumulated depreciation and impairment	(34,697)	(674,571)	(4,423,637)	(596,318)	(2,788)	(218,366)	(3,164,569)	(9,114,946)
	<u>\$ 1,504,057</u>	<u>\$ 686,400</u>	<u>\$ 403,558</u>	<u>\$ 34,575</u>	<u>\$ 281</u>	<u>\$ 55,271</u>	<u>\$ 405,153</u>	<u>\$ 3,089,295</u>

- A. For the years ended December 31, 2022 and 2021, 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:

	December 31, 2022	December 31, 2021
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 76,297	\$ 3,993
Land	29,831	31,022
Transportation equipment (Business vehicles)	4,047	2,578
Machinery and equipment	11,357	483
	<u>\$ 121,532</u>	<u>\$ 38,076</u>
	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 77,773	\$ 80,375
Land	1,191	1,191
Transportation equipment (Business vehicles)	1,928	2,100
Machinery and equipment	3,960	46
	<u>\$ 84,852</u>	<u>\$ 83,712</u>

- C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets was \$169,302 and \$5,535, respectively.
- D. Interest expenses on lease liabilities for the years ended December 31, 2022 and 2021 were \$1,809 and \$695 and the cash outflows were \$166,902 and \$163,176, respectively.
- E. Expenses on short-term leases and leases of low-value assets for the years ended December 31, 2022 and 2021 were \$81,875 and \$74,959; \$2,090 and \$2,066, respectively.

(9) Investment property

	Land	Buildings and structures	Total
<u>At January 1, 2022</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>
<u>2022</u>			
Opening net book amount	\$ 1,256,226	\$ 847,641	\$ 2,103,867
Reclassifications	160,067	148,682	308,749
Depreciation charge	-	(46,681)	(46,681)
Closing net book amount	<u>\$ 1,416,293</u>	<u>\$ 949,642</u>	<u>\$ 2,365,935</u>
<u>At December 31, 2022</u>			
Cost	\$ 1,416,293	\$ 2,297,529	\$ 3,713,822
Accumulated depreciation and impairment	-	(1,347,887)	(1,347,887)
	<u>\$ 1,416,293</u>	<u>\$ 949,642</u>	<u>\$ 2,365,935</u>
	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>

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, 2022	For the year ended December 31, 2021
Rental income from investment property	\$ 95,114	\$ 152,694
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 11,201	\$ 19,794
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ 5,816	\$ -

C. The fair value of the investment property held by the Company as at December 31, 2022 and 2021 was \$4,886,231 and \$4,119,415, respectively. The valuation is based on average closing prices of investment property at the area where the property is located.

(10) Intangible assets

	December 31, 2022	December 31, 2021
Computer Software		
<u>At January 1</u>		
Cost	\$ 1,995	\$ 1,995
Accumulated amortisation	(1,976)	(1,931)
	\$ 19	\$ 64
Opening net book amount	\$ 19	\$ 64
Additions	34,527	-
Amortisation charge	(7,357)	(45)
Closing net book amount	\$ 27,189	\$ 19
<u>At December 31</u>		
Cost	\$ 36,522	\$ 1,995
Accumulated amortisation	(9,333)	(1,976)
	\$ 27,189	\$ 19

Details of amortisation on intangible assets are as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Operating Cost	\$ 131	\$ -
Operating Expense	7,226	45
	\$ 7,357	\$ 45

(11) Other non-current assets

	December 31, 2022	December 31, 2021
Prepayment for equipment	\$ 100,071	\$ 81,588
Refundable deposits	20,072	17,322
Deferred expenses	10,930	14,978
Deposits account for the repatriation of capital from Taiwan's offshore companies	-	361,224
Other assets	1,207	8,208
	<u>\$ 132,280</u>	<u>\$ 483,320</u>

- 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, 2022, the Company had submitted the investment plan to the Industrial 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 Company'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, 2022, the Company had submitted the investment plan to the Industrial 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 Company'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, 2022, the Company had submitted the investment plan to the Industrial Development Bureau, Ministry of Economic Affairs, and the investment plan was approved. Also, the Company withdrew funds from the specific account for reinvestment.

(12) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 545,307</u>	<u>0.60%~1.00%</u>	None

As of December 31, 2022, the Company did not hold any short-term borrowings.

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

Items	December 31, 2022	December 31, 2021
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	<u>\$ 3,845</u>	<u>\$ -</u>

- A. The Company recognized net loss of (\$17,281) and (\$852) on financial liabilities held for trading for the years ended December 31, 2022 and 2021, respectively.
- B. Explanations of the transactions and contract information in respect of derivative financial liabilities for which the Company does not adopt hedge accounting are as follows:

December 31, 2022				
Financial instrument	Contract period	Contract amount (notional principal)		Fair value
Forward exchange contract				
SELL EUR/BUY USD	Oct. 25, 2022~Feb. 22, 2023	EUR	2,400,000	\$ 2,790
SELL USD/BUY CNH	Nov. 14, 2022~Jan. 17, 2023	CNH	8,000,000	136
SELL AUD/BUY USD	Nov. 17, 2022~Feb. 22, 2023	AUD	2,000,000	404
SELL USD/BUY JPY	Nov. 17, 2022~Feb. 22, 2023	JPY	94,000,000	515
				<u>\$ 3,845</u>

- 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.

(14) Bonds payable

	December 31, 2022	December 31, 2021
Issuance of bonds payable	\$ 5,000,000	\$ 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>\$ 5,000,000</u>

- A. 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. As of September 15, 2022, the bonds were all redeemed.

- B. 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.

- C. 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.

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2022
Long-term bank borrowings and commercial papers payable	Borrowing period is from Mar. 31, 2021 to Dec. 31, 2024; payable at maturity	1.74%~1.90%	None	<u>\$ 1,350,000</u>

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>

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, 2022 and 2021, the Company has undrawn borrowing facilities of \$18,283,315 and \$14,784,485, respectively.

(16) 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, 2022	December 31, 2021
Present value of defined benefit obligations	(\$ 1,394,624)	(\$ 1,543,158)
Fair value of plan assets	245,401	242,355
Net defined benefit liability	(\$ 1,149,223)	(\$ 1,300,803)

(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, 2022			
Balance at January 1	(\$ 1,543,158)	\$ 242,355	(\$ 1,300,803)
Current service cost	(3,389)	-	(3,389)
Interest (expense) income	(10,769)	1,711	(9,058)
	(1,557,316)	244,066	(1,313,250)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	20,019	20,019
Change in demographic assumptions	(3,356)	-	(3,356)
Change in financial assumptions	91,995	-	91,995
Experience adjustments	(52,326)	-	(52,326)
	36,313	20,019	56,332
Pension fund contribution	-	80,524	80,524
Paid pension	101,647	(101,647)	-
Paid from the account	27,171	-	27,171
Balance at December 31	(\$ 1,392,185)	\$ 242,962	(\$ 1,149,223)

	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)

- (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, 2022 and 2021 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, 2022	For the year ended December 31, 2021
Discount rate	1.70%	0.75%
Future salary increase	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, 2022				
Effect on present value of defined benefit obligation	\$ 44,863	(\$ 46,901)	(\$ 47,139)	\$ 44,652
December 31, 2021				
Effect on present value of defined benefit obligation	\$ 53,295	(\$ 56,466)	(\$ 55,614)	\$ 53,054

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, 2023 amount to \$22,047.

(g) As of December 31, 2022, the weighted average duration of that retirement plan is 6.6~13 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, 2022 and 2021 were \$74,693 and \$70,671, respectively.

(17) Share capital

A. As of December 31, 2022, 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, 2022	Year ended December 31, 2021
Balance at January 1	2,138,797	1,967,693
Ordinary shares issued	-	171,104
Balance at December 31	2,138,797	2,138,797

- 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, 2022 and 2021, book value of the shares of the Company held by the subsidiaries amounted to both \$511,710.

Details are as follows:

	December 31, 2022		
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	\$ 14.92	\$ 27.55
An-Tai International Investment Co., Ltd.	2,826	10.37	27.55
Top-Tower Enterprises Co., Ltd.	77	9.37	27.55
Taiwan Pelican Express Co., Ltd.	7,070	26.89	27.55
	<u>29,513</u>		
	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
	<u>29,513</u>		

(18) Capital surplus

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.

(19) Retained earnings and legal reserve

- A. As stipulated in the Company's Articles of Incorporation, the current earnings, if any, shall be distributed in the following order:
 - (a) Payment of taxes and duties.
 - (b) Covering prior years' accumulated deficit, if any.
 - (c) After deducting items (a) and (b), set aside 10% of the remaining amount as legal reserve.
 - (d) Set aside a certain amount as special reserve, if any.
 - (e) Distributing the remaining amount plus prior years' retained earnings to shareholders according to their shareholding percentage. The distribution rate is principally 80%, of which cash dividend shall account for 5% ~ 50% of the distributed amount.
- B. The Company's dividend policy is summarized below:
The Company's operating environment is in the stable growth stage. However, investee companies are still in the growth stage. In view of the future plant expansion and investment plans, the appropriations of earnings are based on the distributable earnings and appropriate principally 80% to shareholders as dividends. Cash dividends shall account for at least 5% up to maximum of 50% of total dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land. As of December 31, 2022, 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 \$2,887,375 (\$1.35 (in dollars) per share) and \$2,459,616 (\$1.15 (in dollars) per share) for the years ended December 31, 2022 and 2021, respectively. On March 15, 2023, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2022 was \$3,208,195 at \$1.5 (in dollars) per share.

(20) Other equity items

	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1, 2022	\$ 32,113,711	(\$ 4,033,116)	\$ 28,080,595
Unrealized gains and losses on financial assets:			
–Company	4,190,884	-	4,190,884
–Subsidiaries, associates and joint venture	(15,642,743)	-	(15,642,743)
Revaluation transferred to retained earnings	144,018	-	144,018
Currency translation differences:			
–Company	-	1,579,665	1,579,665
At December 31, 2022	<u>\$ 20,805,870</u>	<u>(\$ 2,453,451)</u>	<u>\$ 18,352,419</u>
	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>

(21) Operating revenue

	For the year ended December 31, 2022	For the year ended December 31, 2021
Revenue from customers	\$ 27,229,403	\$ 23,258,398

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, 2022	For the year ended December 31, 2021
Sales of Green Mechatronic Solution Business Group products	\$ 13,065,911	\$ 11,743,816
Sales of Air and Intelligent Life Business Group products	5,413,803	5,242,911
Others	267,351	221,701
Service revenue	533,189	494,140
Construction contract	7,949,149	5,555,830
	<u>\$ 27,229,403</u>	<u>\$ 23,258,398</u>

B. Contract assets and liabilities

	For the year ended December 31, 2022	For the year ended December 31, 2021
Revenue recognized that was included in the contract liability balance at the beginning of the year		
Advance sales receipts	\$ 111,094	\$ 83,889

(22) Interest income

	For the year ended December 31, 2022	For the year ended December 31, 2021
Interest income from bank deposits	\$ 9,861	\$ 1,740
Other interest income	29	1,108
	<u>\$ 9,890</u>	<u>\$ 2,848</u>

(23) Other income

	For the year ended December 31, 2022	For the year ended December 31, 2021
Rental income	\$ 109,722	\$ 167,311
Dividend income	616,443	499,979
Other non-operating income	265,647	252,540
	<u>\$ 991,812</u>	<u>\$ 919,830</u>

(24) Other gains and losses

	For the year ended December 31, 2022	For the year ended December 31, 2021
Net loss on financial liabilities at fair value through profit or loss	(\$ 17,281)	(\$ 852)
Net (loss) gain on financial assets at fair value through profit or loss	(143,577)	340,478
Net currency exchange gain (loss)	99,979	(55,578)
Loss on disposal of property, plant and equipment	(3,526)	(3,759)
Loss on disposal of investments	-	(3,481)
Impairment loss	-	(7,388)
Miscellaneous disbursements	(417,504)	(530,544)
	<u>(\$ 481,909)</u>	<u>(\$ 261,124)</u>

(25) Finance costs

	For the year ended December 31, 2022	For the year ended December 31, 2021
Interest expense:		
Bank borrowings	\$ 28,802	\$ 25,090
Corporate bonds	40,182	43,200
Others	1,896	787
	<u>70,880</u>	<u>69,077</u>
Finance expenses	<u>2,371</u>	<u>1,937</u>
	<u>\$ 73,251</u>	<u>\$ 71,014</u>

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Wages and salaries	\$ 1,853,224	\$ 1,708,133
Employees' compensation and directors' and supervisors' remuneration	408,598	388,633
Labor and health insurance fees	160,389	156,968
Pension costs	87,140	83,212
Other personnel expenses	94,138	91,923
Depreciation charges on property, plant and equipment and investment property	302,492	320,917
Depreciation charges on right-of-use assets and amortisation charges on intangible assets	107,597	99,928

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, 2022 and 2021, employees' compensation was accrued at \$282,888 and \$303,438, respectively; while directors' and supervisors' remuneration was accrued at \$125,710 and \$85,195, respectively. The aforementioned amounts were recognized in salary expenses.

D. For the year ended December 31, 2022, 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 \$282,848 and \$79,526, and the employees' compensation will be distributed in the form of cash.

The difference of \$289 and \$78 between employees' compensation of \$303,438 and directors' remuneration of \$85,195 as resolved by the Board of Directors which is mainly arising from changes in estimate of employees' compensation and directors' remuneration and the amount recognised in the 2021 financial statements had been adjusted in the profit or loss of 2022.

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.

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Current tax:		
Current tax on profits for the year	\$ 424,731	\$ 248,700
Tax on undistributed surplus earnings	91,885	34,285
Prior year income tax underestimation (overestimation)	7,008	(67,816)
Total current tax	523,624	215,169
Deferred tax:		
Origination and reversal of temporary differences	135,050	127,446
Income tax expense	\$ 658,674	\$ 342,615

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Currency translation differences	\$ 331,321	(\$ 133,697)

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2022	For the year ended December 31, 2021
Tax calculated based on profit		
before tax and statutory tax rate	\$ 823,268	\$ 1,071,150
Effects from items disallowed by tax regulation	(250,189)	(702,210)
Overestimation of prior year's net deferred tax assets and liabilities	(13,594)	(50,834)
Effects by investment tax credits	(10,470)	(27,354)
Prior year income tax underestimation (overestimation)	7,008	(67,816)
Additional tax on undistributed earnings	91,885	34,285
Others	10,766	85,394
Income tax expense	<u>\$ 658,674</u>	<u>\$ 342,615</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:
For the year ended December 31, 2022

	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
— Deferred tax assets:				
Unrealized intercompany profit	\$ 92,983	\$ 9,256	\$ -	\$ 102,239
Impairment loss	96,779	-	-	96,779
Currency translation differences	492,037	-	(331,321)	160,716
Difference resulting from different useful lives of property, plant and equipment between financial and tax basis	29,149	-	-	29,149
Unrealized expenses	91,599	(16,407)	-	75,192
Permanent loss on investments	35,080	-	-	35,080
Loss on inventory	22,318	21,346	-	43,664
Over provision of allowance for doubtful accounts	5,287	(3,401)	-	1,886
Others	27,254	1,524	-	28,778
	<u>892,486</u>	<u>12,318</u>	<u>(331,321)</u>	<u>573,483</u>
— Deferred tax liabilities:				
Investment income from foreign investments	977,165	147,667	-	1,124,832
Land value incremental reserve	107,472	-	-	107,472
Others	2,831	(299)	-	2,532
	<u>1,087,468</u>	<u>147,368</u>	<u>-</u>	<u>1,234,836</u>
	<u>(\$ 194,982)</u>	<u>(\$ 135,050)</u>	<u>(\$ 331,321)</u>	<u>(\$ 661,353)</u>

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	67,510	(45,192)	-	22,318
Over provision of allowance for doubtful accounts	11,439	(6,152)	-	5,287
Others	23,359	3,895	-	27,254
	<u>821,495</u>	<u>(62,706)</u>	<u>133,697</u>	<u>892,486</u>
— Deferred tax liabilities:				
Investment income from foreign investments	907,756	69,409	-	977,165
Land value incremental reserve	107,472	-	-	107,472
Others	7,500	(4,669)	-	2,831
	<u>1,022,728</u>	<u>64,740</u>	<u>-</u>	<u>1,087,468</u>
	<u>(\$ 201,233)</u>	<u>(\$ 127,446)</u>	<u>\$ 133,697</u>	<u>(\$ 194,982)</u>

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

	December 31, 2022	December 31, 2021
Deductible temporary differences	<u>\$ 387,120</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, 2022 and 2021, the amounts of temporary difference unrecognized as deferred tax liabilities were \$5,107,288 and \$3,496,513, respectively.

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

(28) Earnings per share

For the year ended December 31, 2022			
	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	\$ 3,457,667	2,109,284	\$ 1.64

Note: The earnings per share were \$1.62 (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, 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 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.

(29) Supplemental cash flow information

Investing activities with partial cash payments:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Acquisition of property, plant and equipment	\$ 203,543	\$ 276,052
Add: Payables at beginning of the year	90,891	63,722
Less: Payables at end of the year	(68,864)	(90,891)
Cash paid	\$ 225,570	\$ 248,883

(30) Intra-group reorganisation

On August 12, 2022, the Board of Directors had resolved that the Company engaged in a short-form merger with Teco Smart Technologies Co., Ltd., and the effective date of the merger was set on October 1, 2022. The above-mentioned transaction was a reorganisation and recognised using the book value method. The Company had retrospectively restated the parent company only financial statements for the year ended December 31, 2021 when preparing the parent company only financial statements for the year ended December 31, 2022. The adjustments in relation to the restatement of the parent company only balance sheets as at December 31, 2021 and the related parent company only statements of comprehensive income for the year then ended are as follows:

	December 31, 2021		
	Balance of accounts	Adjustments in relation to the restatement	Balance of accounts after restatement
Assets			
Cash and cash equivalents	\$ 211,793	\$ 42,204	\$ 253,997
Current contract assets	2,295,829	26,404	2,322,233
Notes receivable, net	234,765	4	234,769
Notes receivable - related parties	380,157	-	380,157
Accounts receivable, net	2,464,544	76,552	2,541,096
Accounts receivable - related parties	1,560,149	6,026	1,566,175
Other receivables	103,827	-	103,827
Other receivables - related parties	610,925	(4,663)	606,262
Inventories, net	3,388,294	85,213	3,473,507
Prepayments	40,909	14,081	54,990
Other current assets	986,639	431	987,070
Non-current financial assets at fair value through profit or loss	2,322,450	-	2,322,450
Non-current financial assets at fair value through other comprehensive income	11,759,402	-	11,759,402
Investments accounted for under equity method	77,181,869	(61,151)	77,120,718
Property, plant and equipment, net	3,056,759	32,536	3,089,295
Right-of-use assets	38,021	55	38,076
Investment property, net	2,103,867	-	2,103,867
Intangible assets	-	19	19
Deferred income tax assets	891,001	1,485	892,486
Other non-current assets	471,213	12,107	483,320
Total assets	<u>\$ 110,102,413</u>	<u>\$ 231,303</u>	<u>\$ 110,333,716</u>

	December 31, 2021		
	Balance of accounts	Adjustments in relation to the restatement	Balance of accounts after restatement
Liabilities			
Short-term borrowings	\$ 445,807	\$ 99,500	\$ 545,307
Current contract liabilities	962,458	16,752	979,210
Notes payable	56,062	7	56,069
Notes payable - related parties	76,417	-	76,417
Accounts payable	3,885,993	103,761	3,989,754
Accounts payable - related parties	1,445,845	(19,867)	1,425,978
Other payables	2,868,515	20,251	2,888,766
Other payables - related parties	171,304	8,878	180,182
Current income tax liabilities	266,443	30	266,473
Provisions for liabilities - current	105,205	539	105,744
Current lease liabilities	11,532	-	11,532
Long-term liabilities, current portion	1,000,000	-	1,000,000
Other current liabilities, others	154,580	736	155,316
Corporate bonds payable	5,000,000	-	5,000,000
Long-term borrowings	2,000,000	-	2,000,000
Deferred income tax liabilities	1,086,808	660	1,087,468
Non-current lease liabilities	1,238	56	1,294
Other non-current liabilities	1,350,443	-	1,350,443
Total liabilities	<u>\$ 20,888,650</u>	<u>\$ 231,303</u>	<u>\$ 21,119,953</u>
Equity			
Total equity	<u>\$ 89,213,763</u>	<u>\$ -</u>	<u>\$ 89,213,763</u>

	December 31, 2021		
	Balance of accounts	Adjustments in relation to the restatement	Balance of accounts after restatement
Sales revenue	\$ 22,940,571	\$ 317,827	\$ 23,258,398
Operating costs	(18,666,184)	(305,018)	(18,971,202)
Net operating margin	4,274,387	12,809	4,287,196
Unrealized profit from sales	(375,720)	-	(375,720)
Realized profit from sales	450,133	-	450,133
Net operating margin	4,348,800	12,809	4,361,609
Selling expenses	(1,869,845)	(12,603)	(1,882,448)
General and administrative expenses	(541,455)	(19,962)	(561,417)
Research and development expenses	(567,739)	-	(567,739)
Expected credit impairment losses	7,223	-	7,223
Total operating expenses	(2,971,816)	(32,565)	(3,004,381)
Operating profit (loss)	1,376,984	(19,756)	1,357,228
Non-operating income and expenses			
Interest income	\$ 2,840	\$ 8	\$ 2,848
Other income	919,906	(76)	919,830
Other gains and losses	(239,191)	(21,933)	(261,124)
Finance costs	(70,028)	(986)	(71,014)
Share of profit of subsidiary, associates and joint ventures accounted for under equity method	3,366,183	41,798	3,407,981
Total non-operating income and expenses	3,979,710	18,811	3,998,521
Profit before income tax	5,356,694	(945)	5,355,749
Income tax expense	(343,560)	945	(342,615)
Profit for the year	\$ 5,013,134	\$ -	\$ 5,013,134

	December 31, 2021		
	Balance of accounts	Adjustments in relation to the restatement	Balance of accounts after restatement
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss			
Other comprehensive loss, before tax, actuarial losses on defined benefit plans	(\$ 20,206)	\$ -	(\$ 20,206)
Unrealised gains and losses on valuation of investments measured at fair value through other comprehensive income	1,304,003	-	1,304,003
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	<u>20,709,937</u>	<u>-</u>	<u>20,709,937</u>
Components of other comprehensive income that will not be reclassified to profit or loss	21,993,734	-	21,993,734
Other comprehensive income (loss) that will be reclassified to profit or loss			
Currency translation differences of foreign operations	(1,159,046)	-	(1,159,046)
Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	<u>133,697</u>	<u>-</u>	<u>133,697</u>
Components of other comprehensive loss that will be reclassified to profit or loss	(1,025,349)	-	(1,025,349)
Other comprehensive income for the year	<u>\$ 20,968,385</u>	<u>\$ -</u>	<u>\$ 20,968,385</u>
Total comprehensive income for the year	<u>\$ 25,981,519</u>	<u>\$ -</u>	<u>\$ 25,981,519</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-Ecobar 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 1)(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. (Teco Europe)	Note 1	Teco Technology (Vietnam) Electric Co., Ltd. (Teco Technology Vietnam)	"
Teco Holding USA Inc. (Teco Holding)	"	Teco Appliance (H.K.) Co., Ltd. (Teco Appliance)	"
Tecom Co., Ltd. (Tecom)	"	Tecnos International Consultant Co., Ltd. (Tecnos)	"
Tong-An Investment Co., Ltd. (Tong-An)	"	TECO (PHILIPPINES) 3C & APPLIANCES, INC. (TECO 3C)	"
Teco Westinghouse Motor Industrial-Canada (Teco Westinghouse Canada)	"	Teco Electronic Devices Co., Ltd. (Teco Devices)	"
Teco Westinghouse Motor Company (Teco Westinghouse)	"	Tasia (PTE) Ltd. (Tasia)	Note 3
Information Technology Total Service (Hang Zhu) Co., Ltd. (ITTS Hang Zhou)	"	P.T Teco Multiguna Electro (Teco Multiguna)	"
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 Precision)	"	Information Technology Total Service (BVI) (ITTS BVI)	"
Jiangxi Teco Electric and Machinery Co., Ltd. (Jiangxi Teco)	"	An-Tai Innovation Technology (Xiamen) Ltd. (An-Tai Xiamen)	"
Qingdao Teco Precision Mechatronics Co., Ltd. (Qingdao Teco)	"	An-Tai International (Singapore) Investment (Pte) Ltd. (An-Tai Singapore)	"
Yatec Engineering Corporation (Yatec)	"	An-Hubbell-Taian Co., Ltd. (An-Hubbell)	Note 4
An-Tai International Investment Co., Ltd. (An-Tai)	"	Universal Mailing Service Co., Ltd. (Universal)	"
Micropac Worldwide Investment (BVI) (Micropac)	"	Teco Australia Pty. Ltd. (Teco Australia)	"

Names of related parties	Relationship with the Company	Names of related parties	Relationship with the Company
Jie-Zheng Property Service & Management Company (Jie-Zheng)	The subsidiary	Information Technology Total Services (Wuxi) Co., Ltd. (ITTS Wuxi)	The subsidiary
Tai-An Technology (Wuxi) Co., Ltd. (Tai-An Wuxi)	"	Jiangxi TECO Air Conditioning Equipment Co., Ltd. (Jiangxi Teco Air)	"
P.T Teco Elektro Indonesia (P.T Teco)	"	Century Tech. C&M Corp. (Century Tech. C&M)	"
Teco Group Science-Technology (Hang Zhou) Co., Ltd. (Teco Hang Zhou)	"	Tong An Energy Co.,Ltd. (Tong An Energy)	"
Information Technology Total Services (Xiamen) Ltd. (ITTS Xiamen)	"	Teco EV Philippines Corporation (TECO EV)	"
Fujian Teco Precision Co., Ltd. (Fujian Teco)	"	Teco Electric \$ Machinery Shd. Bhd. (STE Marketing SDN. BHD.)	"
Taiwan Pelican Express Co., Ltd. (Pelican)	"	Fujio Food System Taiwan Co., Ltd (Fujio Food)	Associate
Top-Tower Enterprises Co., Ltd. (Top-Tower)	"	Lien Chang Electronic Enterprise Co., Ltd. (Lien Chang)	"
Ching Chi International Limited (Ching Chi)	"	Taisan Electric CO., LTD. (Taisan)	"
Motovario S.p.A. (Motovario)	"	Qingdao TECO Century Advance High-tech Mechtronics Co., Ltd. (TECO Century)	"
United Development Corporation Ltd (United Development)	"	Teco Middle East Electrical & Machinery Co., Ltd. (TME)	"
Century Development Corporation Ltd. (Century Development)	"	TG Teco Vacuum Insulated Glass Corp. (TG Teco)	Note 5
Anneng Green Energy Co., Ltd. (Anneng Green Energy)	"	Teco-Motech Co., Ltd. (Teco-Motech)	"
TECO Westinghouse Motor Company S.A. de C.V. (TWMM)	"	Royal Host Taiwan Co., Ltd. (Royal)	"
AM SMART Technology CO., LTD (AM SMART)	"	Tung Pei Industrial Co., Ltd. (Tung Pei)	"
Teco Sun Energy Co., Ltd. (Teco Sun)	"	Zero Emission PowerTrain Co., Ltd. (ZEPT)	"
Asia Electric & Machinery (PTE) LTD. (AEM)	"	Tension Envelope Taiwan Co., Ltd. (Tension)	"
Sankyo Co., Ltd. (Sankyo)	"	Gen Mao International Corp. (Gen Mao)	"
Teco Electric & Machinery B.V. (Teco Netherlands)	"	Electrical Trading Co., Ltd. (Shanghai Xiangseng)	"
TYM Electric & Machinery Sdn. Bhd. (TYM)	"	Le-Li Co., Ltd. (Le-Li)	"
Teco (Dong Guang) Air Conditioning Equipment Co., Ltd. (Teco Dong Guang)	"	Genmao Electronics (Suzhou) Co., Ltd. (Genmao Suzhou)	"
Unison Service Corporation (Unison)	"	Teco Image System Co., Ltd. (Teco Image)	Other related party
Baycom Opto-Electronics Technology Co., Ltd. (Baycom)	"	An-Shin Food Service Co., Ltd. (An-Shin)	"
Qingdao Teco Innovation Co., Ltd. (QingDao Teco Innovation)	"	YUBAN & COMPANY (Yuban)	"
Shanghai Teco Electric & Machinery Co., Ltd. (Shanghai Teco)	"	Teco Technology Foundation (Teco Foundation)	"
TECO Elektrik Turkey A.S. (Turkey Teco)	"	Kuenling Machinery Refrigerating Co., Ltd. (Kuenling Refrigerating)	Note 2
Taian Electric Co., Ltd. (Taian)	"		

Note 1: This company was liquidated in 2021.

Note 2: The Company held a shareholders' meeting where it elected new board members in 2021. Therefore, the company is no longer a related party of the Company.

Note 3: The Company's wholly-owned subsidiary, Sankyo Co., Ltd., merged with Teco Technology & Marketing Center Co., Ltd. for the year ended December 31, 2022. Sankyo Co., Ltd., was the surviving company after the merger.

Note 4: This company was liquidated in 2022.

Note 5: The company had been liquidated in July 2022.

(2) Significant related party transactions

A. Sales

	For the year ended December 31, 2022	For the year ended December 31, 2021
Sales of goods and services:		
—Subsidiaries		
Teco Westinghouse	\$ 3,420,685	\$ 2,756,193
Others	6,495,670	6,222,802
—Associates	389,184	402,628
—Other related parties	31,231	8,323
	<u>\$ 10,336,770</u>	<u>\$ 9,389,946</u>
	For the year ended December 31, 2022	For the year ended December 31, 2021
Royalty income (shown as '7010 other income'):		
—Subsidiaries		
Wuxi Teco	\$ 71,955	\$ 86,574
Teco Westinghouse	32,877	30,753
Jiangxi Teco	16,128	14,577
Motovario	11,667	13,901
Tai-An Wuxi	9,097	12,139
Others	4,794	7,716
	<u>\$ 146,518</u>	<u>\$ 165,660</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 \$411,132 and \$375,720 (shown as '1550 investments accounted for under equity method') for the years ended December 31, 2022 and 2021, 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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Purchases of goods:		
—Subsidiaries		
Tesen	\$ 2,628,976	\$ 3,075,655
Others	4,164,331	3,542,309
—Associates	132,319	293,017
—Other related parties	13,691	1,680
	<u>\$ 6,939,317</u>	<u>\$ 6,912,661</u>

	For the year ended December 31, 2022	For the year ended December 31, 2021
Shipping expense:		
—Subsidiaries	<u>\$ 144,647</u>	<u>\$ 155,010</u>
	For the year ended December 31, 2022	For the year ended December 31, 2021

Service expense:		
—Subsidiaries	<u>\$ 126,188</u>	<u>\$ 119,790</u>

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

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

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

C. Notes and accounts receivable

	December 31, 2022	December 31, 2021
Accounts and notes receivable		
—Subsidiaries		
Tong Dai	\$ 373,399	\$ 512,486
Teco Australia	261,529	198,441
Teco Westinghouse	231,858	242,643
Others	1,059,897	828,023
—Associates	218,947	176,060
—Other related parties	1,644	3,135
	<u>2,147,274</u>	<u>1,960,788</u>
Add: exchange gain (loss)	<u>5,830</u>	<u>(5,538)</u>
	<u>2,153,104</u>	<u>1,955,250</u>
Less: allowance for loss	<u>(1,468)</u>	<u>(8,918)</u>
	<u>\$ 2,151,636</u>	<u>\$ 1,946,332</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:

	December 31, 2022	December 31, 2021
Accounts and notes payable		
—Subsidiaries		
Wuxi Teco	\$ 860,696	\$ 665,284
Tai-An Wuxi	197,411	231,423
Others	320,705	547,748
—Associates	39,854	65,851
	<u>1,418,666</u>	<u>1,510,306</u>
Add: exchange loss	(6,921)	(7,911)
	<u>\$ 1,411,745</u>	<u>\$ 1,502,395</u>

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

E. Loan to related parties:

(a) Receivables from related parties – credit line

	December 31, 2022	December 31, 2021
Subsidiaries	\$ -	\$ 105,872

(b) Interest income

	For the year ended December 31, 2022	For the year ended December 31, 2021
Subsidiaries	\$ -	\$ 1,101

As of December 31, 2022 and 2021, the Company had loans to subsidiaries both amounting to \$0. The loans to subsidiaries are both repayable monthly over 2 years and carry interest at 1.48%~3.5% per annum for the years ended December 31, 2022 and 2021.

F. Other receivables

	December 31, 2022	December 31, 2021
—Subsidiaries		
Wuxi Teco	\$ 24,908	\$ 81,089
QinDao Teco	75,736	79,140
Others	420,366	436,001
—Associates	29,862	33,382
—Other related parties	2,370	3,944
	<u>553,242</u>	<u>633,556</u>
Add: exchange loss	(610)	(24,304)
	<u>552,632</u>	<u>609,252</u>
Less: Allowance for doubtful accounts and credit balance of long-term investment	(2,446)	(2,990)
	<u>\$ 550,186</u>	<u>\$ 606,262</u>

The above represents other receivables for rental.

G. Other payables

	December 31, 2022	December 31, 2021
—Subsidiaries	\$ 164,399	\$ 176,998
—Associates	3,558	3,694
—Other related parties	361	252
	168,318	180,944
Add: exchange loss	195	(762)
	<u>\$ 168,513</u>	<u>\$ 180,182</u>

Other payables mainly consist of rent payable, etc.

I. Endorsements and guarantees provided to related parties

	December 31, 2022	December 31, 2021
—Subsidiaries	<u>\$ 1,249,780</u>	<u>\$ 1,700,473</u>

J. Lease transactions — lessee

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

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Associates	<u>\$ 151,334</u>	<u>\$ -</u>

(c) Lease liabilities

(i) Outstanding balance:

	December 31, 2022	December 31, 2021
Associates	<u>\$ 82,676</u>	<u>\$ 9,529</u>

(ii) Interest expense

	For the year ended December 31, 2022	For the year ended December 31, 2021
Associates	<u>\$ 1,663</u>	<u>\$ 643</u>

K. Property transactions

The Company sold a number of compressors (shown as '1600 property, plant and equipment') to QingDao Teco in July, 2011. The contract amounted to \$54,558 and collection progress is in accordance with mutual agreement. After the inspection, the Company accepted the compressors with discounted payments based on mutual agreement in 2014. As of December 31, 2022, the payments were all collected.

(3) Key management compensation

	For the year ended December 31, 2022	For the year ended December 31, 2021
Salaries and other short-term employee benefits	\$ 203,095	\$ 167,505
Salaries and other long-term employee benefits	11,058	15,270
Post-employment benefits	1,275	1,274
	<u>\$ 215,428</u>	<u>\$ 184,049</u>

8. Pledged Assets

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Other current assets - bank deposits	\$ 219,345	\$ 807,757	Restricted by the regulations of the management, utilization, and taxation of repatriated offshore funds
Other non-current assets - bank deposits	-	361,224	Special bank account for government grant and litigation guarantee
	<u>\$ 219,345</u>	<u>\$ 1,168,981</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, 2022	December 31, 2021
Property, plant and equipment	\$ 84,603	\$ 113,492

B. As of December 31, 2022, the outstanding usance L/C used for acquiring raw materials and equipment was \$34,635.

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, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 2,155,192	\$ 2,322,450
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 16,091,157	\$ 11,759,402
Financial assets at amortised cost /Loans and receivables		
Cash and cash equivalents	\$ 804,916	\$ 253,997
Notes receivable	842,724	614,926
Accounts receivable	3,554,874	4,107,271
Other receivables	646,855	710,089
Guarantee deposits paid	20,072	17,322
	<u>\$ 5,869,441</u>	<u>\$ 5,703,605</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ -	\$ 545,307
Notes payable	122,631	132,486
Accounts payable	5,527,766	5,415,732
Other payables	3,169,563	3,068,948
Bonds payable (including current portion)	5,000,000	6,000,000
Long-term borrowings	1,350,000	2,000,000
Guarantee deposits received	11,337	22,636
Lease liabilities	99,946	12,826
	<u>\$ 15,281,243</u>	<u>\$ 17,197,935</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(13).
- 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, 2022						
Foreign currency amount		Sensitivity Analysis				
(In thousands)		Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$	57,678	30.7100	\$	1,771,291	1% \$ 17,713 -
EUR:NTD	EUR	7,136	32.7200		233,490	1% 2,335 -
JPY:NTD	JPY	381,130	0.2324		88,575	1% 886 -
RMB:NTD	RMB	23,439	4.4080		103,319	1% 1,033 -
AUD:NTD	AUD	4,479	20.8300		93,298	1% 933 -
<u>Non-monetary items</u>						
USD:NTD	USD	705,005	30.7100		21,650,693	
EUR:NTD	EUR	146,854	32.7200		4,805,052	
SGD:NTD	SGD	155,510	22.8800		3,558,079	
VND:NTD	VND	265,270,769	0.0013		344,852	
MYR:NTD	MYR	8,621	6.9951		60,308	
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	USD	47,169	30.7100		1,448,560	1% 14,486 -
EUR:NTD	EUR	1,456	32.7200		47,640	1% 476 -
JPY:NTD	JPY	62,437	0.2324		14,510	1% 145 -

December 31, 2021							
Foreign currency amount (In thousands)			Sensitivity Analysis				
			Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	USD	\$ 58,469	27.6800	\$ 1,618,422	1%	\$ 16,184	\$ -
EUR:NTD	EUR	4,475	31.3200	140,157	1%	1,402	-
JPY:NTD	JPY	240,329	0.2405	57,799	1%	578	-
RMB:NTD	RMB	42,221	4.3440	183,408	1%	1,834	-
AUD:NTD	AUD	6,122	20.0800	122,930	1%	1,229	-
GBP:NTD	GBP	286	37.3000	10,668	1%	107	-
<u>Non-monetary items</u>							
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			
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	USD	64,691	27.6800	1,790,647	1%	17,906	-
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	-

- 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, 2022 and 2021 amounted to \$99,979 and (\$55,578), 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, 2022 and 2021 would have increased/decreased by \$50,546 and \$60,059, 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 \$804,369 and \$587,759, 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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021 would have been \$2,700 and \$5,091 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, 2022 and 2021, 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 \$842,724 and \$614,926; \$3,554,874 and \$4,107,271, 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, 2022 and 2021, the loss rate methodology is as follows:

December 31, 2022			
	Expected credit loss rate	Total book value	Loss allowance
Not past due	0%~1%	\$ 1,656,343	\$ -
Up to 30 days	0%~2%	218,655	(814)
31 to 90 days	1%~20%	40,942	(895)
91 to 180 days	1%~100%	67,380	(1,181)
Over 180 days	1%~100%	296,475	(30,943)
		<u>\$ 2,279,795</u>	<u>(\$ 33,833)</u>
December 31, 2021			
	Expected credit loss rate	Total book value	Loss allowance
Not past due	0%~1%	\$ 2,199,486	\$ -
Up to 30 days	0%~2%	217,498	(416)
31 to 90 days	1%~20%	59,913	(502)
91 to 180 days	1%~100%	60,745	(856)
Over 180 days	1%~100%	265,943	(25,946)
		<u>\$ 2,803,585</u>	<u>(\$ 27,720)</u>

December 31, 2022			
	Expected credit loss rate	Total book value	Loss allowance
Individual	100%	\$ 25,250	(\$ 25,250)
Group A	0%~5%	1,703,163	(696)
Group B	1%~10%	221,393	(1,862)
Group C	1%~20%	91,052	(104)
Group D	1%~40%	12,491	(329)
Group E	1%~100%	226,446	(5,592)
		<u>\$ 2,279,795</u>	<u>(\$ 33,833)</u>
December 31, 2021			
	Expected credit loss rate	Total book value	Loss allowance
Individual	100%	\$ 25,250	(\$ 25,250)
Group A	0%~5%	2,212,502	(134)
Group B	1%~10%	296,996	(262)
Group C	1%~20%	68,653	(177)
Group D	1%~40%	8,322	(37)
Group E	1%~100%	191,862	(1,860)
		<u>\$ 2,803,585</u>	<u>(\$ 27,720)</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, 2022	For the year ended December 31, 2021
	Notes receivable and accounts receivable	Notes receivable and accounts receivable
At January 1	\$ 27,720	\$ 27,687
Provision for impairment loss	6,113	33
At December 31	<u>\$ 33,833</u>	<u>\$ 27,720</u>

For the years ended December 31, 2022 and 2021, the Company provisioned impairment gain for other receivables at amortised cost amounting to \$7,450 and \$7,256, respectively.

(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, 2022 and 2021, the undrawn credit amounts are \$18,283,315 and \$14,784,485, 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, 2022	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	\$ -	\$ -	\$ -	\$ -	\$ -
Notes payable	122,631	-	-	-	-
Accounts payable	5,527,766	-	-	-	-
Other payables	3,169,563	-	-	-	-
Lease liabilities	92,200	4,858	2,458	1,800	-
Bonds payable (including current portion)	-	-	5,000,000	-	-
Long-term borrowings (including current portion)	1,350,000	-	-	-	-

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	\$ 545,307	\$ -	\$ -	\$ -	\$ -
Notes payable	132,486	-	-	-	-
Accounts payable	5,415,732	-	-	-	-
Other payables	3,068,948	-	-	-	-
Lease liabilities	18,024	1,082	163	-	-
Bonds payable (including current portion)	1,000,000	-	-	5,000,000	-
Long-term borrowings (including current portion)	2,000,000	-	-	-	-

iv. As of December 31, 2022 and 2021, 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, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 1,010,914	\$ -	\$ 1,144,278	\$ 2,155,192
Financial assets at fair value through other comprehensive income				
Equity securities	<u>16,087,375</u>	<u>-</u>	<u>3,782</u>	<u>16,091,157</u>
	\$ <u>17,098,289</u>	\$ <u>-</u>	\$ <u>1,148,060</u>	\$ <u>18,246,349</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Non-hedging derivatives	\$ -	\$ 3,845	\$ -	\$ 3,845
<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	\$ 1,201,181	\$ -	\$ 1,121,269	\$ 2,322,450
Financial assets at fair value through other comprehensive income				
Equity securities	<u>11,755,186</u>	<u>-</u>	<u>4,216</u>	<u>11,759,402</u>
	\$ <u>12,956,367</u>	\$ <u>-</u>	\$ <u>1,125,485</u>	\$ <u>14,081,852</u>

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

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

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

E. For the years ended December 31, 2022 and 2021, 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, 2022	For the year ended December 31, 2021
Beginning balance	\$ 1,125,485	\$ 1,075,200
Gains and losses recognized in profit or loss	41,902	61,138
Gain and loss recognized in other comprehensive income	(433)	(4,130)
Acquired during the year	-	25,441
Sold during the year	(18,894)	(32,164)
Ending balance	\$ 1,148,060	\$ 1,125,485

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, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	\$ 1,148,060	Market comparable companies	Price to earnings ratio multiple	1.62~2.31	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, 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

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, 2022					
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%	\$ 57,214 (\$ 57,214)	\$ 189 (\$ 189)	
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%	\$ 56,063 (\$ 56,063)	\$ 211 (\$ 211)	

13. Supplementary Disclosures

(1) Significant transactions information

- Loans to others: Please refer to table 1.
- Provision of endorsements and guarantees to others: Please refer to table 2.
- Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.
- Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- 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.
- Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- Trading in derivative financial instruments undertaken during the reporting periods ended: Please refer to Note 6(13).
- 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

- Basic information: Please refer to table 10.
- 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, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 1

Number (Note 1)	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during			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
					the year ended	December 31,	Balance at											
					December 31,	2022	(Note 8)											
1	U.V.G.	Teco Netherlands	Other receivables	Yes	\$ 229,040	\$ 229,040	\$ 229,040	-	Short-term financing	-	For operating capital	\$ -	-	\$ -	497,702	\$ 829,503	Note 2	
2	Teco Westinghouse	TWMM	"	"	70,873	61,420	-	4.49%	Short-term financing	-	For operating capital	-	-	-	693,801	1,387,602	Note 3	
3	Great Teco Motor (PTE) Ltd.	Teco Netherlands	"	"	192,000	189,776	189,776	2.18%	Short-term financing	-	For operating capital	-	-	-	281,195	468,659	Note 4	
4	Motovario Corp.	Motovario S.P.A.	"	"	184,260	184,260	162,149	4.49%	Short-term financing	-	For operating capital	-	-	-	196,896	262,528	Note 5	

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 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, 2022), 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, 2022).

Note 3: 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, 2022), 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, 2022).

Note 4: 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, 2022), 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, 2022).

Note 5: 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, 2022), 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, 2022).

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others
For the year ended December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022	Outstanding endorsement/ guarantee amount at December 31, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%)	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	TECO ELECTRIC & MACHINERY CO., LTD.	Sankyo Co., Ltd	(4)	\$ 16,004,987	\$ 137,408	\$ 104,580	\$ 97,608	-	0.13	\$ 48,014,960	Y	N	N	Note 3
0	"	Motovario	(4)	16,004,987	1,358,915	1,145,200	1,145,200	-	1.43	48,014,960	Y	N	N	"
1	Teco Westinghouse	TWMM	(4)	693,801	64,430	61,420	45,915	-	0.89	1,387,602	Y	N	N	Note 4
2	Teco Australia Pty. Ltd.	TECO New Zealand Pty Ltd	(4)	153,361	14,904	14,600	14,600	-	0.95	306,722	Y	N	N	Note 5
3	Century Development	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)	445,454	187,123	156,969	156,969	-	3.52	890,907	Y	N	N	Note 6
4	Tong-An Assets	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)	529,816	140,342	117,727	117,727	-	2.22	1,059,632	N	N	N	Note 7
5	Tong-An Investment Co., Ltd.	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)	150,934	140,342	117,727	117,727	-	0.59	200,000	N	N	N	Note 8

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

(1) The Company is "0".

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

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

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The 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 companies 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, 2022), 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 Teoco Westinghouse's policy, the total guarantee amount shall not exceed 20% of Teoco Westinghouse's net assets based on the latest financial statements (December 31, 2022), and the guarantee to a single party shall not exceed 10% of Teoco 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 the TECO AUSTRALIA Pty Ltd.'s policy, the total guarantee amount shall not exceed 20% of TECO AUSTRALIA Pty Ltd.'s net assets (December 31, 2022), 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 6: In accordance with Century Development's policy, the total guarantee amount shall not exceed 20% of Century Development's net assets based on the latest financial statements (December 31, 2022), and the guarantee to a single party shall not exceed 10% of Century Development's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 7: In accordance with Tong-An Asset's policy, the total guarantee amount shall not exceed 20% of Tong-An Asset's net assets based on the latest financial statements (December 31, 2022), and the guarantee to a single party shall not exceed 10% of Tong-An Asset's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

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

TECO ELECTRIC & MACHINERY CO., LTD.

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

December 31, 2022

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, 2022				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
			Note 1	11,132	\$ 317,808	14.62	\$ 317,808	
	Stock 1	The Company is a director of the investee						
	Stock 2	None	"	2,137	58,983	1.43	58,983	
	Stock 3	"	"	210,333	9,927,703	5.64	9,927,703	
	Stock 4	The Company is a director of the investee	"	190,061	5,464,242	3.38	5,464,242	
	Stock 5	None	"	8,697	96,104	0.09	96,104	
	Stock 6	The Company is a director of the investee	"	5,098	222,535	13.42	222,535	
	Stock 7, etc.	None	"	15,796	3,782	-	3,782	
	Stock 8	"	Note 4	3,200	130,253	0.03	130,253	
	Stock 9	"	"	11,527	374,065	1.96	374,065	
	Stock 10	"	"	47,839	401,368	1.58	401,368	
	Stock 11	"	"	201	1,227	-	1,227	
	Stock 12	The Company is a director of the investee	"	32,980	341,190	10.99	341,190	
	Stock 13	None	"	7,500	480,640	5.00	480,640	
	Stock 14, etc.	"	"	22,104	241,031	-	241,031	
	Fund 1	"	"	-	90,173	-	90,173	
	Fund 2	"	"	-	95,245	-	95,245	
	Stock 2	"	Note 1	5,309	146,541	3.56	146,541	
	Stock 15	"	"	720	54,756	0.50	54,756	
	Stock 16	The Company is a director of the investee	"	264	169,257	0.12	169,257	
	Stock 17	None	"	3,177	213,520	0.67	213,520	
	Stock 18, etc.	The Company is a director of the investee	"	9,492	212,620	-	212,620	
	Stock 19, etc.	None	Note 3	1,793	141,974	-	141,974	
	Stock 2	"	Note 1	7,913	218,407	5.31	218,407	
	Stock 15	"	"	1,225	93,087	0.85	93,087	
	Stock 20	An investee company accounted for under the equity method by the Company	"	19,540	538,328	0.91	538,328	
		Related party in substance						
	Stock 18	None	"	8,197	137,291	7.28	137,291	
	Stock 21	"	"	8,692	572,800	0.27	572,800	
	Stock 22	"	"	1,285	121,690	0.04	121,690	
	Stock 16	The Company is a director of the investee	"	21,918	14,071,356	10.03	14,071,356	
	Stock 23	None	"	1,217	84,607	0.37	84,607	
	Stock 24, etc.	"	"	31,980	753,619	-	753,619	
	Stock 19	"	Note 3	1,076	78,871	0.67	78,871	
	Stock 25, etc.	"	"	5,451	406,950	-	406,950	
	Stock 16	The Company is a director of the investee	Note 4	1,091	700,294	0.50	700,294	
	Fund 3	None	"	50,000	393,000	-	393,000	

Teco International

Tong-An Investment

As of December 31, 2022

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
Tong-An Investment	Fund 4	None	Note 4	662	\$ 22,950	-	\$ 22,950	
U.V.G	Stock 26, etc.	"	Note 1	118	7,967	-	7,967	
An-Tai International	Stock 2	An investee company accounted for under the equity method by the Company	"	653	18,023	0.44	18,023	
	Stock 20		"	2,826	77,849	0.13	77,849	
	Stock 18	Related party in substance	"	1,270	21,275	1.13	21,275	
	Stock 27	"	"	2,756	202,818	8.51	202,818	
	Stock 28	None	"	205	13,866	0.14	13,866	
Jie-Zheng Property	Stock 19, etc.	"	Note 3	1,228	101,708	-	101,708	
Information Technology Total	Fund 5, etc.	"	Note 2	-	20,997	-	20,997	
Service	Stock 29, etc.	"	Note 1	3,269	32,530	-	32,530	
Teco Singapore	Stock 16, etc.	Related party in substance	"	474	304,061	-	304,061	
Taiwan Pelican Express	Stock 20	An investee company accounted for under the equity method by the Company	"	7,070	194,778	0.33	194,778	
	Stock 16	None	"	716	459,698	0.32	459,698	
Teco Australia	Stock 16	"	"	359	230,750	0.16	230,750	
Sankyo	Stock 30	"	"	68	5,974	-	5,974	
Tecom and its subsidiaries	Stock 4	The Company is a corporate director of the investee	"	16,222	466,385	0.29	466,385	
	Stock 7, etc.	None	"	1,161	767	-	767	
	Stock 31	"	Note 3	2,119	31,997	1.11	31,997	
	Fund 6, etc.	"	Note 2	546	10,493	-	10,493	
Tong Dai	Stock 20	An investee company accounted for under the equity method by the Company	Note 3	77	2,127	-	2,127	
	Stock 32, etc.	None	"	2	74	-	74	

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

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

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

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

TECO ELECTRIC & MACHINERY CO., LTD.

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

For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

		Relationship with the investor (Note 2)	Balance as at January 1, 2022			Addition			Disposal			Balance as at December 31, 2022		
			Number of shares / units	Amount	Number of shares / units	Number of shares / units	Amount	Number of shares / units	Selling price	Book value	Gain (loss) on disposal	Number of shares / units	Amount	(Note 3)
Investor	Marketable securities	General ledger account												
Teco Holding	OASIS USD	Note 1	-	\$2,216,584	-	-	-	-	\$ 2,219,164	\$ 2,214,400	\$ 4,764	-	\$ -	-
	Term Liquidity Fund	Not applicable												

Note 1: The general ledger account is 'Current financial assets at fair value through profit or loss'.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: The balance amount as at December 31, 2022 included unrealised gains or losses from financial assets.

TECO ELECTRIC & MACHINERY CO., LTD.

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

For the year ended December 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 5

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:

Real estate acquired by	Marketable Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate disposal	Other commitments
Century Biotech Development Corp.	Park permanent work	In October 2019	\$1,660,955	\$1,645,032	FAR EASTERN GENERAL CONTRACTOR INC.	Non-related parties	Not applicable	Not applicable	Not applicable	Not applicable	Comparative price and bargain	Operation needs	None
	Park curtain wall work	In February 2020	410,000	328,840	CHINA WIRE & CABLE CO., LTD.	Non-related parties	Not applicable	Not applicable	Not applicable	Not applicable	Comparative price and bargain	Operation needs	None
	Park electrical and mechanical work	In September 2020	1,375,000	1,076,778	TECO ELECTRIC & MACHINERY CO., LTD.	Related parties	Not applicable	Not applicable	Not applicable	Not applicable	Comparative price and bargain	Operation needs	None
	Park renovation work	In May 2021	483,900	396,039	CHEN-JIA CONSTRUCTION AND ENGINEERING CO., LTD.	Non-related parties	Not applicable	Not applicable	Not applicable	Not applicable	Comparative price and bargain	Operation needs	None

TECO ELECTRIC & MACHINERY CO., LTD.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
For the year ended December 31, 2022

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)			
TECO ELECTRIC & MACHINERY CO., LTD.	Tesen	An investee accounted for under the equity method	Purchases	\$ 2,628,976	12%	30 days	Note	Note	(\$ 494)	-			
	Taian Subic	"	"	210,335	1%	"	"	"	(67,942)	(1%)			
	Wuxi Teco	An indirect investee accounted for under the equity method	"	1,724,452	8%	"	"	"	(860,696)	(15%)			
	TECO (VIETNAM) ELECTRIC & MACHINERY	"	"	950,303	4%	"	"	"	(87,282)	(2%)			
	Tai-An Wuxi Jiangxi TECO Tong Dai	"	"	916,274	4%	"	"	"	(197,411)	(3%)			
	Teco Singapore	An investee accounted for under the equity method	Sales	(1,607,585)	(6%)	90 days	"	"	(33,172)	(1%)			
	E-Joy International	"	"	(523,808)	(2%)	"	"	"	373,399	8%			
	Taisan Electric	"	"	(481,729)	(2%)	"	"	"	55,263	1%			
	Taian Subic	"	"	(202,374)	(1%)	"	"	"	143,772	3%			
	A-Ok Technical	"	"	(129,034)	-	"	"	"	19,712	-			
	Teco Westinghouse	An indirect investee accounted for under the equity method	"	(111,382)	-	"	"	"	39,270	1%			
	Teco Australia	"	"	(3,420,685)	(13%)	"	"	"	8,569	-			
	Teco Westinghouse Canada	"	"	(1,277,640)	(5%)	"	"	"	231,858	5%			
	Sankyo	"	"	(1,031,795)	(4%)	"	"	"	261,529	6%			
	Top-Tower	"	"	(264,912)	(1%)	"	"	"	111,141	3%			
	Motovario	"	"	(264,053)	(1%)	"	"	"	72,324	2%			
	Teco Netherlands	"	"	(248,739)	(1%)	"	"	"	89,063	2%			
	TECO-Westinghouse Motor Company S.A	"	"	(176,283)	(1%)	"	"	"	101,961	2%			
	TECO MIDDLE EAST	"	"	(161,867)	(1%)	"	"	"	64,420	1%			
									45,915	1%			
								116,203	3%				

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

Table 7

TECO ELECTRIC & MACHINERY CO., LTD.

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2022

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	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	373,723	-	-	307,777	
"	E-Joy International	"	144,532	-	-	83,730	
"	Teco Westinghouse	An indirect investee accounted for under the equity method	299,411	-	-	223,535	
"	Century Biotech Development Corp.	"	264,148	-	-	150,938	
"	Teco Australia	"	262,533	-	-	98,139	
"	Motovario	"	146,231	-	-	21,775	
"	Tesen	"	128,031	-	-	-	
"	TECO MIDDLE EAST	"	116,203	-	-	47,680	
"	Teco Westinghouse Canada	"	111,141	-	-	111,141	
Wuxi Teco	TECO ELECTRIC & MACHINERY CO., LTD.	An investee accounted for under the equity method	860,696	-	-	156,900	
Tai-An Wuxi	"	"	197,411	-	-	112,751	
U.V.G.	Teco Netherlands	An investee accounted for under the equity method	229,040	-	-	-	
Great Teco Motor (PTE) Ltd.	"	Fellow subsidiary	189,776	-	-	-	
Motovario Corp.	Motovario	An investee accounted for under the equity method	184,260	-	-	-	Total amount was \$1,468

Table 8

TECO ELECTRIC & MACHINERY CO., LTD.
Significant inter-company transactions during the reporting period
For the year ended December 31, 2022

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Expressed in thousands of NTD (Except as otherwise indicated)
				General ledger account	Amount	
0	TECO ELECTRIC & MACHINERY CO., LTD.	Tong Dai	(1)	Notes receivable, accounts receivable and other receivables	\$ 373,723	-
0	"	Teco Westinghouse	"	Accounts receivable and other receivables	299,411	-
0	"	Teco Australia	"	"	262,533	-
0	"	Motovario	"	"	146,231	-
0	"	E-Joy International	"	"	144,532	-
0	"	Century Biotech Development Corp.	"	Notes receivable	264,148	-
0	"	TECO MIDDLE EAST	"	Accounts receivable	116,203	-
0	"	Teco Westinghouse Canada	"	"	111,141	-
0	"	Tesen	"	Other receivables	128,031	-
1	Wuxi Teco	TECO ELECTRIC & MACHINERY CO., LTD.	(2)	Accounts receivable	860,696	1%
2	Tai-An Wuxi	"	"	"	197,411	-
3	U.V.G	Teco Netherlands	(3)	Other receivables	229,040	-
4	Great Teco Motor (PTE) Ltd.	"	"	"	189,776	-
5	Motovario Corp.	Motovario	"	"	184,260	-
6	TECO ELECTRIC & MACHINERY CO., LTD.	Teco Westinghouse	(1)	Sales	3,420,685	6%
0	"	Tong Dai	"	"	1,607,585	3%
0	"	Teco Australia	"	"	1,277,640	2%
0	"	Teco Westinghouse Canada	"	"	1,031,795	2%
0	"	Teco Singapore	"	"	523,808	1%
0	"	E-Joy International	"	"	481,729	1%
0	"	Sankyo	"	"	264,912	-
0	"	Top-Tower	"	"	264,053	-
0	"	Motovario	"	"	248,739	-
0	"	Taisan Elettric	"	"	202,374	-
0	"	Teco Netherlands	"	"	176,283	-

Table 8

TECO ELECTRIC & MACHINERY CO., LTD.
Significant inter-company transactions during the reporting period
For the year ended December 31, 2022

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.	TECO-Westinghouse Motor Company S.A	(1)	Sales	161,867	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 MIDDLE EAST	"	"	154,922	"	-
0	"	Taian Subic	"	"	129,034	"	-
0	"	A-Ok Technical	"	"	111,382	"	-
6	Tesen	TECO ELECTRIC & MACHINERY CO., LTD.	(2)	"	2,628,976	"	5%
1	Wuxi Teco	"	"	"	1,724,452	"	3%
7	TECO (VIETNAM) ELECTRIC & MACHINERY	"	"	"	950,303	"	2%
2	Tai-An Wuxi	"	"	"	916,274	"	2%
8	Taian Subic	"	"	"	210,335	"	-
9	JIANGXI TECO	"	"	"	135,984	"	-

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.

Table 9

TECO ELECTRIC & MACHINERY CO., LTD.

Information on investees

For the year ended December 31, 2022

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022		Net profit (loss) of the investee for the year ended December 31, 2022	Investment income	Expressed in thousands of NTD (Except as otherwise indicated)
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)			
				\$	\$	39,145,044	31.14%	\$ 747,688	\$	245,014
TECO ELECTRIC & MACHINERY CO., LTD.	Tung Pei	Taiwan	Manufacturing of bearings		12,293					None
	Tecom	Taiwan	Manufacturing of key telephone system and nonkey service unit telephone system	431,109	431,109	60,090,307	63.52%	32,592		6,385
	Teco International	Taiwan	Investment holdings, investments in securities and construction of commercial buildings	100,013	100,013	77,847,395	100%	68,009		69,738
	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%	371,139		370,644
	Teco Singapore and its subsidiaries	Singapore	Distribution of the Company's motor products in Singapore	112,985	112,985	7,200,000	90%	135,694		129,620
	Tong-An Investment	Taiwan	Investment holdings	2,490,000	2,490,000	577,913,365	99.60%	551,537	(	565,550)
	Teco Electro UVG and its subsidiaries	Taiwan Cayman Islands	Manufacturing of Stepping motors Manufacturing and distribution of the Company's motor products and home appliances, and investment holdings	71,460 8,505,434	82,335 8,505,434	10,253,864 195,416,844	59.56% 100%	44,145 661,435		26,661 659,373
	ITTS	Taiwan	E-business service, mailing and data management	111,286	111,286	11,467,248	41.97%	55,641		23,351
	Tesen	Taiwan	Manufacturing and sales of home appliance	200,000	200,000	20,000,000	100%	7,899		6,833
	Lien Chang	Taiwan	Manufacturing of color flybacks transformers, mono flyback transformers and mono deflection yokes	117,744	117,744	37,542,159	33.84%	10,418		1,528

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022		Net profit (loss) of the investee for the year ended December 31, 2022		Investment income recognized by the Company for the year ended December 31, 2022		Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	\$	\$	\$	
TECO ELECTRIC & MACHINERY	Tong Dai	Taiwan	Distribution of the Company's motor products in Taichung	\$ 22,444	\$ 22,444	6,615,234	83.53%	\$ 443,610	\$ 145,919	\$ 119,457	None	
	Teco Vietnam	Vietnam	Manufacturing and sales of motors	540,453	540,453	-	-	344,852	(8,903)	(4,757)	None	
	Yatec	Taiwan	Development and maintenance of various electric appliances	92,389	92,389	7,800,000	66.67%	138,974	11,317	7,158	None	
	Tong-An Assets	Taiwan	Real estate business	2,111,889	2,111,889	395,415,338	100%	5,298,140	81,555	82,566	None	
	Taian Subic Micropac (BVI) and its subsidiaries	Philippines	Manufacturing and sales of switches	165,819	165,819	17,131,155	76.70%	212,522	13,931	10,436	None	
		British Virgin Islands	Manufacturing and distribution of optical fiber apparatus and international trading	454,923	454,923	14,883,591	100%	1,212,898	79,648	75,128	None	
	Century Development	Taiwan	Development and management of industrial park	951,141	951,141	100,592,884	28.67%	1,375,539	345,805	93,672	None	
	An-Tai International	Taiwan	Investment holdings	150,000	150,000	37,352,237	100%	613,404	27,772	23,866	None	
	Taiwan Pelican Express	Taiwan	Logistics and distribution services	255,116	255,116	24,121,700	25.27%	360,669	176,442	42,170	None	
	Taian-Ecobar	Taiwan	Bus bar and manufacturing of its components	70,330	70,330	7,033,000	84.73%	162,861	52,471	44,461	None	
Eagle Holding Co.	Eagle Holding Co.	Cayman Islands	Investment holdings	3,691,723	3,691,723	1	100%	4,805,052	308,783	308,783	None	
	TECO MOTOR B.V.	Netherlands	Investment holdings	3,691,723	3,691,723	1	100%	4,805,052	308,783	308,783	None	
TECO MOTOR	Motovario S.p.A	Italy	Production and sale of gear reducers and motors	3,989,850	3,989,850	18,010,000	100%	4,805,052	308,783	308,783	None	
	Tung Pei (SAMOA) Industrial Co., Ltd.	Samoa	Investment holdings and establishment of overseas distribution channel	646,343	646,343	23,031,065	100%	1,917,190	150,107	150,107	None	
Tung Pei	Baycom	Taiwan	Manufacturing and sales of optical telecom products	431,258	431,258	14,700,741	43.76%	205,405	41,280	18,066	None	
	Century Development	Taiwan	Development and management of industrial park	420,646	420,646	46,235,042	13.18%	681,276	345,805	46,283	None	
Tecom	Taiwan Pelican Express	Taiwan	Logistics and distribution services	54,874	54,874	6,474,468	6.78%	149,087	176,442	11,966	None	
	Century Biotech Development Corp.	Taiwan	Development and construction of real estate	514,270	514,270	51,427,000	20.57%	501,580	(11,601)	(2,386)	None	
Tong-An Investment	Century Real Estate (International) Pte. Ltd.	Singapore	Investing in other areas	274,856	274,856	9,120,000	30%	148,973	(5,055)	(1,521)	None	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022		Net profit (loss) of the investee for the year ended		Investment income (loss) recognized by the Company for the year ended		Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	December 31, 2022	December 31, 2022	December 31, 2022	
Lien Chang	Gen Mao International Corp.	Taiwan	Investment holdings	\$ 92,000	\$ 92,000	12,553,526	100%	\$ 151,236	\$ 16,119	\$ 16,119	\$ 16,119	None
	Gen Mao (Singapore)	Singapore	Investment holdings	582,246	582,246	27,502,355	84.97%	751,271	122,166	122,166	99,575	None
	Gen Mao (Singapore)	Singapore	Investment holdings	91,079	91,079	4,866,045	15.03%	132,881	122,166	122,166	17,618	None
Century Development	Centurytech Construction and Management Corp.	Taiwan	Construction and sales of related raw materials	238,170	238,170	2,250,000	100.00%	(20,412)	16,119	16,119	17,145	None
	Jie-Zheng Property Service & Management Co., Ltd.	Taiwan	Building management servicing	13,750	13,750	1,512,500	50%	77,138	35,962	35,962	18,043	None
	United Development	Taiwan	Investment consultancy service for domestic and foreign industrial parks and land	25,536	25,536	6,102,973	51.60%	89,741	11,758	11,758	6,067	None
Teco Electro	Greyback International Property Inc.	Philippines	Housing project in Subic	9,912	9,912	144,600	30.11%	10,457	(22)	(22)	(7)	None
	Century Real Estate (International) Pte. Ltd.	Singapore	Investing in other areas	365,820	365,820	12,160,000	40%	270,203	(5,055)	(5,055)	(2,022)	None
	Century Biotech Development Corp.	Taiwan	Development and construction of real estate	771,460	771,460	77,146,000	30.86%	752,463	(11,601)	(11,601)	(3,580)	None
Teco Singapore	Teco Electro Devices Co., Ltd.	British Virgin Islands	Trading and investment holdings	88,108	88,108	2,510,000	100%	243,820	21,358	21,358	22,409	None
	Century Development	Taiwan	Development and management of industrial park	179,222	179,222	21,264,873	6.06%	2,699	345,805	345,805	210	None
	Century Development	Taiwan	Leasing of real estate	184,893	184,893	17,013,593	4.85%	214,711	345,805	345,805	16,265	None
Tong-An Assets	Century Biotech Development Corp.	Taiwan	Development and construction of real estate	514,270	514,270	51,427,000	20.57%	501,580	(11,601)	(11,601)	(2,386)	None
	Century Real Estate (International) Pte. Ltd.	Singapore	Investing in other areas	274,856	274,856	9,120,000	30%	197,228	(5,055)	(5,055)	(1,558)	None

TECO ELECTRIC & MACHINERY CO., LTD.
Information on investments in Mainland China

For the year ended December 31, 2022

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 Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China for the year ended December 31, 2022	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
Teco (Dong Guang)	Manufacturing and sales of air conditioners mechanical equipment	\$ 268,799	Note 2	\$ 188,139	-	\$ 188,139	\$ 4,047	100%	\$ 4,228	\$ 136,295	-	Note 15
Wuxi Teco	Manufacturing and sales of motors	1,697,276	Note 1	768,259	-	768,259	490,683	84.12%	417,927	1,971,584	386,884	Note 14
Taian (Wuxi)	Manufacturing and sales of optical fiber	495,213	Note 10	205,551	-	205,551	79,790	100%	79,740	1,040,287	217,858	Note 15
Nanchang Teco	Manufacturing and sales of home appliances	456,293	Note 3	456,293	-	456,293	7,642	100%	7,642	(18,720)	-	Note 15
Jiangxi Teco	Manufacturing and sales of motors	1,481,569	Note 1	1,383,653	-	1,383,653	102,479	98.07%	100,501	1,569,735	72,823	Note 14
QingDao Teco	Manufacturing and sales of dyes	947,331	Note 1	1,648,510	-	1,648,510	3,860	87.60%	3,382	248,759	-	Note 14
Xiamen An-Tai	Development, manufacturing and sales of LCD monitors.	678,681	Note 3	467,577	-	467,577	2,246	100%	2,246	248,431	-	Note 14
Teco Han Zhou	Development and consulting of device products	9,837	Note 1	9,837	-	9,837	1,483	100%	1,147	23,110	11,937	Note 15
Teco Century	Manufacturing and sales of compressor	680,938	Note 3	340,469	-	340,469	4,527	24%	1,087	29,284	-	Note 15
Fujian Teco	Manufacturing and sales of electronic components	391,843	Note 1	391,843	-	391,843	(1,831)	100%	(1,831)	47,053	-	Note 15
Shanghai Xingsheng	Distribution of air conditioner	24,004	Note 2	-	-	-	2,062	39.90%	823	(10,285)	-	Note 15
Jiangxi TECO (AC)	Manufacturing and sales of air conditioning mechanical equipment	79,813	Note 3	79,813	-	79,813	12,748	100%	12,748	141,555	-	Note 15
Qingdao Teco Innovation	Science Park development and business operations and consulting services	59,444	Note 12	59,444	-	59,444	(1,906)	100%	(1,906)	39,067	-	Note 15
Shanghai Teco	Sales of home appliances	23,829	Note 1	23,829	-	23,829	128,322	100%	126,503	257,152	100,122	Note 14
Jiangxi TECO Westinghouse	Manufacturing and sales of motors, winding and related parts	119,840	Note 11	-	-	-	8,326	100%	8,326	120,478	-	Note 15
Motor Coil Co., Ltd.	Production and sale of industrial motors and applications	656,500	Note 13	-	-	-	20,456	100%	21,948	852,156	-	Note 15
Precision Industry Co. Ltd.	Storage services	26,422	Note 4	26,422	-	26,422	-	-	-	-	-	Note 18
Beijing Pelican Express	Merchandise wholesale	349,215	Note 5	24,746	-	24,746	-	1.63%	-	-	-	Note 16、17
Fubon Gehua (Beijing) Trading Co., Ltd.	Communication network information, technology development, sales and technology services business	6,950	Note 6	6,950	-	6,950	1,025	100%	1,031	(173)	-	Note 14、19
Wuhan Tecom												

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022		Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan				2022	2021		
Information Technology (Wuxi)	ERP building, system maintenance and purchases of information appliance	10,167	Note 8	10,167	-	-	10,167	100%	6,185	35,156	-	-	Note 14
Information Technology Total Service	ERP building, system maintenance and purchases of information appliance	4,421	Note 8	-	-	-	-	-	762	-	-	-	Note 14 • 20
(Xiamen) Wuxi TECO Electro Devices Co. Ltd.	R&D, manufacturing and sales of motors and provide products sales skills	115,225	Note 9	86,101	-	-	86,101	100%	22,409	161,897	43,265	-	Note 15

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

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

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

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

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

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

Note 7: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through Teom 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 (BVI) 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 Peco 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 not audited by the other CPA firm.

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

Note 17: As of December 31, 2022, accumulated impairment of \$24,746 was accrued.

Note 18: The company was dissolved and liquidated in 2022.

Note 19: There were upstream transactions with the subsidiaries amounting to (\$6) during the period.

Note 20: The cancellation of registration was completed on August 11, 2022.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	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	\$ 51,791,100
Taiwan Pelican Express Co., Ltd.	51,168	51,168	1,318,985
Tecom Co., Ltd.	6,950	681,144	285,012
Information Technology Total Services Co., Ltd.	10,167	10,167	332,147
Teco Electro Devices Co., Ltd.	86,101	115,225	220,594

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.

Table 11

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, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements and guarantees		Financing		Interest during the year ended December 31, 2022	Others
	Amount	%	Amount	%	Balance at December 31, 2022	%	Balance at December 31, 2022	Purpose	Maximum balance during the year ended December 31, 2022	Balance at December 31, 2022			Interest rate
Investee in Mainland China												
Wuxi Teco	\$ 13,843	-	\$ -	-	\$ 2,922	-	\$ -	-	\$ -	-	-	\$ -
Taian (Wuxi)	9,106	-	-	-	2,531	-	-	-	-	-	-	-
Jiangxi Teco	22,195	-	-	-	7,382	-	-	-	-	-	-	-
QingDao Teco	44	-	-	-	172	-	-	-	-	-	-	-
Shanghai Teco	13,885	-	-	-	-	-	-	-	-	-	-	-
Jiangxi TECO (AC)	862	-	-	-	-	-	-	-	-	-	-	-
Wuxi Teco Precision	1,367	-	-	-	230	-	-	-	-	-	-	-
Wuxi Teco	(1,724,452)	(8%)	-	-	(860,696)	15%	-	-	-	-	-	-
Taian (Wuxi)	(916,274)	(4%)	-	-	(197,411)	3%	-	-	-	-	-	-
QingDao Teco	(38,428)	-	-	-	-	-	-	-	-	-	-	-
Jiangxi Teco	(135,984)	(1%)	-	-	(33,172)	1%	-	-	-	-	-	-
Xiamen An-Tai	(5,044)	-	-	-	-	-	-	-	-	-	-	-
Jiangxi TECO (AC)	(44,439)	-	-	-	(10,072)	-	-	-	-	-	-	-
Wuxi Teco Precision	(8,141)	-	-	-	-	-	-	-	-	-	-	-
Genmao (Suzhao)	(75,547)	-	-	-	(4,719)	-	-	-	-	-	-	-



TECO ELECTRIC & MACHINERY CO., LTD.
Major shareholders information
December 31, 2022

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.

Introduction

We have audited the accompanying consolidated balance sheets of TECO Electric & Machinery Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2022 and 2021, 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, 2022 and 2021, 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 that came into effect 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 Standards on Auditing of 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 2022 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 thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 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\$30,801,040 thousand, representing 53% of the consolidated total sales revenue for the year ended December 31, 2022. Aside from domestic sales in Taiwan, the customers of green mechatronic solution business group are from America, 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\$2,859,697 thousand and NT\$2,597,098 thousand, both constituting 2% of the consolidated total assets as at December 31, 2022 and 2021, respectively, and total operating revenues amounted to NT\$3,163,153 thousand and NT\$2,940,496 thousand, constituting 5% and 6% of consolidated total operating revenues for the years then ended, respectively. The investments accounted for under the equity method amounted to NT\$2,406,380 thousand and NT\$2,377,144 thousand, both constituting 2% of consolidated total assets as of December 31, 2022 and 2021, respectively, the credit balance of investments accounted for under the equity method amounted to NT\$194,811 thousand and NT\$132,837 thousand, both constituting less than 1% of consolidated total assets as of December 31, 2022 and 2021, and the comprehensive income recognized from associates and joint ventures accounted for under the equity method amounted to NT(\$212,320) thousand and NT\$202,511 thousand, constituting (3%) and 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 emphasis of matter and 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, 2022 and 2021.

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 that came into effect 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 Standards on Auditing of 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 Standards on Auditing of Republic of China, we exercise professional judgment and 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, 2023

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, 2022 AND 2021
 (Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 21,156,796	17	\$ 17,274,143	13
1110	Current financial assets at fair value through profit or loss	6(2)	31,790	-	2,312,233	2
1120	Current financial assets at fair value through other comprehensive income	6(3)	761,573	1	1,064,454	1
1140	Current contract assets		2,316,064	2	2,319,092	2
1150	Notes receivable, net	6(5) and 8	1,039,556	1	996,956	1
1160	Notes receivable - related parties	7	101	-	4,201	-
1170	Accounts receivable, net	6(5)	10,049,783	8	9,926,625	7
1180	Accounts receivable - related parties	7	301,997	-	274,873	-
1200	Other receivables		326,141	-	420,113	-
1210	Other receivables - related parties	7	86,927	-	118,561	-
130X	Inventories, net	6(6)	12,895,287	10	12,252,098	9
1410	Prepayments		496,418	-	515,811	-
1470	Other current assets	6(1) and 8	854,988	1	1,854,511	1
11XX	Total current assets		50,317,421	40	49,333,671	36
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	3,271,436	3	4,538,374	3
1517	Non-current financial assets at fair value through other comprehensive income	6(3) and 8	33,765,890	27	45,160,394	33
1535	Non-current financial assets at amortised cost, net	6(4) and 8	115,909	-	392,232	-
1550	Investments accounted for under the equity method	6(7) and 7	3,911,876	3	3,478,685	3
1600	Property, plant and equipment, net	6(8) and 8	19,131,777	15	17,402,116	13
1755	Right-of-use assets	6(9) and 8	6,735,166	5	6,776,467	5
1760	Investment property, net	6(10)	2,966,896	2	2,828,899	2
1780	Intangible assets	6(11)	4,668,399	4	4,439,567	3
1840	Deferred income tax assets	6(30)	1,198,512	1	1,417,175	1
1900	Other non-current assets	6(1)(12) and 8	519,828	-	844,870	1
15XX	Total non-current assets		76,285,689	60	87,278,779	64
1XXX	Total assets		\$ 126,603,110	100	\$ 136,612,450	100

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(14) and 8	\$ 1,751,344	1	\$ 2,042,697	2
2120	Current financial liabilities at fair value through profit or loss	6(15)	4,144	-	-	-
2130	Current contract liabilities	6(24)	2,199,362	2	1,490,821	1
2150	Notes payable		784,357	1	1,021,039	1
2160	Notes payable - related parties	7	434	-	6,154	
2170	Accounts payable		9,077,048	7	9,268,228	7
2180	Accounts payable - related parties	7	48,756	-	78,999	-
2200	Other payables	6(16)	5,994,197	5	5,544,765	4
2230	Current income tax liabilities	6(30)	852,683	1	646,719	-
2250	Provisions for liabilities - current		340,961	-	320,207	-
2280	Current lease liabilities		531,318	-	503,953	-
2320	Long-term liabilities, current portion	6(17)(18) and 8	228,159	-	1,491,683	1
2399	Other current liabilities, others		841,157	1	658,746	1
21XX	Total current liabilities		22,653,920	18	23,074,011	17
Non-current liabilities						
2530	Corporate bonds payable	6(17)	5,000,000	4	5,000,000	4
2540	Long-term borrowings	6(18) and 8	3,427,355	3	3,603,574	2
2550	Provisions for liabilities - non-current		237,477	-	115,391	-
2570	Deferred income tax liabilities	6(30)	2,432,283	2	2,350,403	2
2580	Non-current lease liabilities		4,541,089	4	4,558,141	3
2600	Other non-current liabilities	6(7)(19)	1,992,487	1	2,248,999	2
25XX	Total non-current liabilities		17,630,691	14	17,876,508	13
2XXX	Total liabilities		40,284,611	32	40,950,519	30
Equity attributable to owners of parent						
	Share capital	6(20)				
3110	Common stock		21,387,966	17	21,387,966	16
	Capital surplus	6(21)				
3200	Capital surplus		9,575,822	7	9,529,520	7
	Retained earnings	6(22)				
3310	Legal reserve		7,899,057	6	7,374,048	5
3320	Special reserve		3,640,779	3	3,640,779	3
3350	Unappropriated retained earnings		19,680,601	16	19,712,565	14
	Other equity interest	6(23)				
3400	Other equity interest		18,352,419	14	28,080,595	20
3500	Treasury stocks	6(20)	(511,710)	-	(511,710)	-
31XX	Equity attributable to owners of the parent		80,024,934	63	89,213,763	65
36XX	Non-controlling interest	6(34)	6,293,565	5	6,448,168	5
3XXX	Total equity		86,318,499	68	95,661,931	70
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 126,603,110	100	\$ 136,612,450	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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(9)(10)(24) and 7	\$ 58,315,216	100	\$ 51,248,387	100
5000 Operating costs	6(6)(8)(9)(19)(29) and 7	(45,129,917)	(77)	(39,812,612)	(78)
5900 Net operating margin		13,185,299	23	11,435,775	22
5910 Unrealized (loss) profit from sales		(9,351)	-	(8,354)	-
5920 Realized profit from sales		8,354	-	9,518	-
5950 Net operating margin		13,184,302	23	11,436,939	22
Operating expenses	6(8)(9)(19)(29)				
6100 Selling expenses		(4,412,306)	(8)	(4,028,985)	(8)
6200 General and administrative expenses		(2,496,464)	(4)	(2,529,546)	(5)
6300 Research and development expenses		(1,144,263)	(2)	(1,112,911)	(2)
6450 Expected credit impairment losses	12(2)	(57,615)	-	(4,779)	-
6000 Total operating expenses		(8,110,648)	(14)	(7,676,221)	(15)
6900 Operating profit		5,073,654	9	3,760,718	7
Non-operating income and expenses					
7100 Interest income	6(4)(25)	233,077	-	127,351	-
7010 Other income	6(3)(10)(26) and 7	1,544,357	3	1,421,682	3
7020 Other gains and losses	6(2)(9)(13)(15)(27)	(1,415,579)	(3)	849,898	2
7050 Finance costs	6(9)(28)	(203,963)	-	(203,602)	-
7060 Share of profit of associates and joint ventures accounted for under the equity method	6(7)	190,279	-	195,831	-
7000 Total non-operating income and expenses		348,171	-	2,391,160	5
7900 Profit before income tax		5,421,825	9	6,151,878	12
7950 Income tax expense	6(30)	(1,429,815)	(2)	(649,687)	(1)
8200 Profit for the year		\$ 3,992,010	7	\$ 5,502,191	11

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share)

		Year ended December 31			
		2022		2021	
Items	Notes	AMOUNT	%	AMOUNT	%
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income (loss), before tax, actuarial losses on defined benefit plans	\$ 94,741	-	(\$ 27,172)	-
8316	Unrealized losses and gains on valuation of investments measured at fair value through other comprehensive income	(11,822,766)	(20)	22,629,456	44
8320	Share of other comprehensive (loss) 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	(12,277)	-	(6,876)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(2,982)	-	(84,107)	-
8310	Components of other comprehensive (loss) income that will not be reclassified to profit or loss	(11,743,284)	(20)	22,511,301	44
Other comprehensive income that will be reclassified to profit or loss					
8361	Currency translation differences of foreign operations	1,916,975	3	(1,159,131)	(2)
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	(311,456)	(1)	122,289	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss	1,605,519	2	(1,036,842)	(2)
8300	Other comprehensive (loss) income for the period	(\$ 10,137,765)	(18)	\$ 21,474,459	42
8500	Total comprehensive (loss) income for the period	(\$ 6,145,755)	(11)	\$ 26,976,650	53
Profit attributable to:					
8610	Owners of the parent	\$ 3,457,667	6	\$ 5,013,134	10
8620	Non-controlling interest	534,343	1	489,057	1
		<u>\$ 3,992,010</u>	<u>7</u>	<u>\$ 5,502,191</u>	<u>11</u>
Comprehensive (loss) income attributable to:					
8710	Owners of the parent	(\$ 6,347,756)	(11)	\$ 25,981,519	51
8720	Non-controlling interest	202,001	-	995,131	2
		<u>(\$ 6,145,755)</u>	<u>(11)</u>	<u>\$ 26,976,650</u>	<u>53</u>
Earnings per share (in dollars)					
9750	Basic earnings per share	\$ 1.64		\$ 2.38	
9850	Diluted earnings per share	\$ 1.64		\$ 2.38	

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Equity attributable to owners of the parent												
Notes	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	Non-controlling interest	Total equity	
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	-	-	-	-	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 (loss) income	-	-	-	-	4,980,049	(1,025,349)	22,026,819	-	25,981,519	995,131	26,976,650	
Appropriation of 2020 earnings	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	349,413	-	(349,413)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(2,459,616)	-	-	-	(2,459,616)	-	(2,459,616)	
Common shares issued for share conversion	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	-	-	-	-	12,482	-	(12,482)	-	36,127	-	36,127	
Transactions with non-controlling interest	-	36,127	-	-	-	-	-	-	8,607	(8,607)	-	
Changes in other non-controlling interest	-	8,607	-	-	-	-	-	-	-	(335,293)	(335,293)	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	272,075	-	(272,075)	-	-	-	-	
Effect of changes in decrease in entities of associates	-	-	-	-	(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	
2022												
Balance at January 1, 2022	\$ 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	
Profit for the year	-	-	-	-	3,457,667	-	-	-	3,457,667	534,343	3,992,010	
Other comprehensive (loss) income for the year	-	-	-	-	66,771	1,579,665	(11,451,859)	-	(9,805,423)	(332,342)	(10,137,765)	
Total comprehensive (loss) income	-	-	-	-	3,524,438	1,579,665	(11,451,859)	-	(6,347,756)	202,001	(6,145,755)	
Appropriations of 2021 earnings	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	525,009	-	(525,009)	-	-	-	-	-	-	
Cash dividends declared	-	-	-	-	(2,887,375)	-	-	-	(2,887,375)	-	(2,887,375)	
Effect of changes in net equity of associates and joint ventures accounted for under the equity method	-	50,247	-	-	-	-	-	-	50,247	-	50,247	
Transactions with non-controlling interest	-	(3,945)	-	-	-	-	-	-	(3,945)	3,945	-	
Changes in other non-controlling equity	-	-	-	-	-	-	-	-	-	(360,549)	(360,549)	
Disposal of investments in equity instrument at fair value through other comprehensive income	-	-	-	-	(144,018)	-	144,018	-	-	-	-	
Balance at December 31, 2022	\$ 21,387,966	\$ 9,575,822	\$ 7,899,057	\$ 3,640,779	\$ 19,680,001	(\$ 2,453,451)	\$ 20,805,870	(\$ 511,710)	\$ 80,024,934	\$ 6,293,565	\$ 86,318,499	

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 5,421,825	\$ 6,151,878
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(27)	1,131,130 (	1,643,837)
Net loss on financial liabilities at fair value through profit or loss	6(15)(27)	17,381	2,638
Provision for decline in value of inventories	6(6)	117,060	177,816
Expected credit impairment losses (gains)	12(2)	57,615	4,779
Interest income	6(25)	(233,077 ) (	127,351)
Dividend income	6(26)	(1,128,492 ) (	884,153)
Interest expense	6(28)	203,963	203,602
Depreciation and amortization	6(8)(9)(10)(29)	1,803,446	1,802,195
Loss on disposal of investments	6(27)	-	3,097
Gain on disposal of property, plant and equipment	6(27)	4,241	2,387
Impairment loss	6(8)(13)(27)	-	367,190
Share of profit of associates and joint ventures accounted for under the equity method	6(7)	(190,279 ) (	195,831)
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		3,028 (	866,890)
Notes receivable		(39,367)	175,504
Notes receivable - related parties		782	8,063
Accounts receivable		(220,887 ) (	1,048,247)
Accounts receivable - related parties		21,792 (	49,738)
Other receivables		93,972 (	137,928)
Other receivables - related parties		31,634 (	46,101)
Inventories		(760,249 ) (	2,802,666)
Prepayments		19,393 (	145,336)
Other current assets		163,662	73,340
Current financial assets at fair value through profit or loss		124,559	557,742
Changes in operating liabilities			
Current contract liabilities		708,541 (	3,110)
Notes payable		(236,682)	680,367
Notes payable - related parties		(5,720 ) (	48,894)
Accounts payable		(191,180)	1,758,360
Accounts payable - related parties		(30,243 ) (	34,056)
Other payables		476,149	707,037
Provisions for liabilities		142,840 (	103,690)
Other current liabilities		182,410 (	65,646)
Other non-current liabilities		(316,127)	219,223
Cash inflow generated from operations		7,373,120	4,691,744
Interest received	6(25)	233,077	127,351
Dividend received		138,348	87,747
Interest paid		(129,170 ) (	133,202)
Income tax paid		(1,237,746 ) (	696,332)
Net cash flows from operating activities		6,377,629	4,077,308

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
 (Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in current financial assets at fair value through profit or loss		\$ 72,526	\$ 37,945
Increase in current financial assets at fair value through other comprehensive income		-	(2,446)
Increase in non-current financial assets at fair value through other comprehensive income	6(32)	(384,617)	(143,856)
Proceeds from disposal of current financial assets at fair value through profit or loss	6(2)	2,219,166	(2,228,000)
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income	6(3)	209,316	757,346
Decrease in non-current financial assets at amortized cost	6(4)	276,323	89,298
Decrease (increase) in pledged and restricted bank and time deposits	6(1) and 8	1,197,085	(211,646)
Acquisition of property, plant and equipment	6(8)(32)	(2,904,793)	(2,308,743)
Proceeds from disposal of property, plant and equipment		24,409	62,585
Acquisition of intangible assets		(108,408)	(70,416)
Decrease (increase) in restricted due to the legislation on repatriating		361,224	(191,813)
Increase in other non-current assets		(36,182)	(32,454)
Dividends received from investments of financial instruments		1,128,492	884,153
Increase in investments accounted for under the equity method and capital reduction to recover investment cost		(319,818)	(208,146)
Net cash flows from (used in) investing activities		<u>1,734,723</u>	<u>(3,566,193)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term loans	6(33)	(291,353)	(774,135)
Repayment of bonds	6(33)	(1,000,000)	-
(Decrease) increase in long-term loans	6(33)	(439,742)	483,525
Lease liabilities paid	6(9)(33)	(570,981)	(538,703)
Cash dividends paid to non-controlling interests		(404,738)	(226,923)
Cash dividends paid	6(22)	(2,887,375)	(2,459,616)
Net cash flows used in financing activities		<u>(5,594,189)</u>	<u>(3,515,852)</u>
Exchange rate effect		<u>1,364,490</u>	<u>(118,380)</u>
Net increase (decrease) in cash and cash equivalents		3,882,653	(3,123,117)
Cash and cash equivalents at beginning of year		<u>17,274,143</u>	<u>20,397,260</u>
Cash and cash equivalents at end of year		\$ 21,156,796	\$ 17,274,143

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, 2022 AND 2021

[(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 15, 2023.

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”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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.	

(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 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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.	

(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
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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, 'Non-current liabilities with covenants'	January 1, 2024
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 that came into effect 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, 2022	December 31, 2021	
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, green power and other various electrical and electronic products in Mainland China, Southeast Asia and Australia.	100	100	Note 3
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	
Teco Electric & Machinery Co., Ltd.	Tesen Electric & Machinery Co., Ltd.	Manufacturing and sales of home appliances	100	100	
Teco Electric & Machinery Co., Ltd.	Tong-An Assets Management & Development Co., Ltd.	Real estate business	100	100	
Teco Electric & Machinery Co., Ltd.	Teco Electric Europe Limited	Distribution of mechatronic products	-	-	Note 8

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
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	Note 5
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.	61.07	64.08	Note 12
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	-	-	Note 6

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
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	
Teco Electric & Machinery Co., Ltd.	E-Joy International Co., Ltd.	Wholesale and retail of electric appliances	98.07	98.3	Notes 9 and 13
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 4 and 10

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
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	Note 14
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, 2022	December 31, 2021	
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	33.38	Note 1
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 7
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	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
Teco Electric & Machinery Co., Ltd.	Teco.Sun Energy Co., Ltd.	Energy technical services	60	60	
Teco Electric & Machinery Co., Ltd.	Tong An Energy Co., Ltd.	Energy technical services	100	-	Note 11

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

Note 5: 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 6: The liquidation of Taian (Malaysia) Electric Sdn. Bhd. was completed in 2021.

Note 7: The liquidation of Motovario Power Transmission Co. Ltd. was completed in 2021.

Note 8: The liquidation of Teco Electric Europe Limited was completed in 2021.

Note 9: 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 10: The liquidation of Tecom Global Tech Investment Pte Limited was completed in 2021.

Note 11: Tong An Energy Co., Ltd. was a newly established subsidiary in 2022.

Note 12: The Company sold 517,000 of shares in Teco Electro Devices Co., Ltd. in January 2022. Therefore, the Group's shareholding ratio in the subsidiary decreased to 61.07% and the Group recognized a decrease in equity from transactions with non-controlling interest by (\$3,888).

Note 13: In 2022, E-Joy International Co., Ltd. distributed employees' compensation for the year 2021 in the form of shares, and the Group's shareholding ratio to the company was decreased to 98.07%. Additionally, Group recognized a change of equity from transactions with non-controlling interest amounting to (\$57).

Note 14: Teco Smart Technologies Co., Ltd was merged with Teco Electric & Machinery Co., Ltd.

We did not audit the financial statements of certain consolidated subsidiaries which statements reflect total assets of \$ 2,859,697 and \$ 2,597,098 as at December 31, 2022 and 2021, respectively, and net operating revenue of \$ 3,163,153 and \$ 2,940,496 for the years

ended December 31, 2022 and 2021, respectively.

C. Subsidiaries not included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December, 31, 2022	December 31, 2021	
Teco Electric & Machinery Co., Ltd.	Teco Appliance (HK) Co., Ltd.	Sales of home appliances	100	100	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	100	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	Notes 1 and 4
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	Notes 1, 2 and 3

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December, 31, 2022	December 31, 2021	
Tong-An Assets Management & Development Co., Ltd.	Grey Back International Property Inc.	Real estate management and development	100	100	Note 1
Tasia (Pte) Ltd.	TECO Technology & Marketing Center Co., Ltd.	Engaged in a variety of investment businesses	-	100	Notes 1 and 5
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	Note 1

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.

Note 4: Teco EV Philippines Corporation was resolution to proceed liquidation procedure in 2022.

Note 5: TECO Technology & Marketing Center Co., Ltd was merged with Sankyo Co., Ltd in 2022.

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

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates
- (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 recognizes 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 recognized 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 capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. 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 and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference 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 ~ 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 recognised 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 amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill, 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 amortised 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 recognised 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 amortised 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 recognised in profit or loss.

(24) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognised 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 amortised 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

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

II. Remeasurements arising on defined benefit plans are 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 expense and liability, 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 realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. 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 realise 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 realise 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 \$4,555,873 as at December 31, 2022.

6. Details of Significant Accounts(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and revolving funds	\$ 6,978	\$ 7,763
Checking accounts and demand deposits	7,270,042	11,708,591
Time deposits and notes issued under repurchase agreement	13,879,776	5,557,789
	<u>\$ 21,156,796</u>	<u>\$ 17,274,143</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, 2022 and December 31, 2021, certain bank deposits amounting to \$575,293 and \$1,772,377, 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, 2022	December 31, 2021
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Money market fund	34,240	2,304,904
Derivative instruments	301	4,046
	<u>34,541</u>	<u>2,308,950</u>
Valuation adjustments	(2,751)	3,283
	<u>\$ 31,790</u>	<u>\$ 2,312,233</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed and OTC stocks	\$ 884,399	\$ 889,145
Non-listed and OTC stocks	810,394	810,394
Fund beneficiary certificate	713,556	734,299
	<u>2,408,349</u>	<u>2,433,838</u>
Valuation adjustments	863,087	2,104,536
	<u>\$ 3,271,436</u>	<u>\$ 4,538,374</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, 2022	For the year ended December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	(\$ 1,131,130)	\$ 1,643,837

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

		December 31, 2022		
Derivative instrument	Contract period	Contract amount (Notional principal)		Fair value
Forward foreign exchange contracts				
BUY EUR/SELL AUD	December 1, 2022 ~ February 9, 2023	EUR	100,000	\$ 53
BUY USD/SELL AUD	December 14, 2022 ~ January 20, 2023	USD	1,000,000	248
				<u>\$ 301</u>
		December 31, 2021		
Derivative instrument	Contract period	Contract amount (Notional principal)		Fair value
Forward foreign exchange contracts				
SELL USD/BUY RMB	January 18, 2021 ~ April 29, 2022	USD	16,205,000	<u>\$ 4,046</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, 2022	December 31, 2021
Current items:		
Listed and OTC stocks	\$ 482,495	\$ 683,202
Emerging stocks	-	6,579
	482,495	689,781
Valuation adjustments	279,078	374,673
	<u>\$ 761,573</u>	<u>\$ 1,064,454</u>
Non-current items:		
Listed and OTC stocks	\$ 12,694,093	\$ 12,510,333
OES stocks	115,200	-
Non-listed and OTC stocks	333,657	330,387
	13,142,950	12,840,720
Valuation adjustments	20,622,940	32,319,674
	<u>\$ 33,765,890</u>	<u>\$ 45,160,394</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 \$34,527,463 and \$46,224,848 as at December 31, 2022 and 2021, respectively.

- B. For the years ended December 31, 2022 and 2021, the Group sold stocks with fair values of \$209,316 and \$757,346, respectively, to raise the capital for operations; the cumulative gains (loss) on disposal are (\$144,018) and \$358,052, 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, 2022	For the year ended December 31, 2021
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 11,822,766)	\$ 22,629,456
Cumulative gains reclassified to retained earnings due to derecognition	(\$ 144,018)	\$ 358,052
Dividend income recognised in profit or loss		
Held at end of period	\$ 943,858	\$ 575,536
Derecognised during the period	3,649	12,976
	<u>\$ 947,507</u>	<u>\$ 588,512</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, 2022	December 31, 2021
Non-current items:		
Time deposits	\$ 115,909	\$ 392,232

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Interest income	\$ 6,787	\$ 9,627

- B. As at December 31, 2022 and 2021, 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 \$115,909 and \$392,232, 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). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(5) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 1,041,750	\$ 999,065
Less: Allowance for bad debts	(2,194)	(2,109)
	<u>\$ 1,039,556</u>	<u>\$ 996,956</u>
Accounts receivable	\$ 10,264,814	\$ 10,092,843
Less: Allowance for bad debts	(215,031)	(166,218)
	<u>\$ 10,049,783</u>	<u>\$ 9,926,625</u>

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

	December 31, 2022	December 31, 2021
Not past due	\$ 8,970,190	\$ 9,190,412
Up to 30 days	1,049,553	842,230
31 to 90 days	542,913	461,706
91 to 180 days	283,479	195,257
Over 180 days	<u>460,429</u>	<u>402,303</u>
	<u>\$ 11,306,564</u>	<u>\$ 11,091,908</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2022 and 2021, the balances of receivables (including notes receivable) from contracts with customers amounted to \$11,046,707 and \$10,888,402, respectively.
- C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$1,039,556 and \$996,956 and accounts receivable were \$10,049,783 and \$9,926,625, 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, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,651,577	(\$ 221,898)	\$ 3,429,679
Work in progress	1,522,111	(9,175)	1,512,936
Finished goods	7,197,857	(441,152)	6,756,705
Inventory in transit	661,540	-	661,540
Merchandise inventories	546,287	(11,860)	534,427
	<u>\$ 13,579,372</u>	<u>(\$ 684,085)</u>	<u>\$ 12,895,287</u>
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	1,000,265	(30,359)	969,906
	<u>\$ 12,914,522</u>	<u>(\$ 662,424)</u>	<u>\$ 12,252,098</u>

- A. The cost of inventories recognized as expense for the years ended December 31, 2022 and 2021 were \$29,569,180 and \$26,741,547, respectively, including \$117,060 and \$177,816 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, 2022 and 2021, respectively.
- B. The Group has no inventory pledged to others.

(7) Investments accounted for under the equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associates:		
1. Tung Pei Industrial Co., Ltd.	\$ 2,440,891	\$ 2,313,312
2. Lien Chang Electronic Enterprise Co., Ltd.	487,575	498,574
3. Others	<u>983,410</u>	<u>666,799</u>
	<u>3,911,876</u>	<u>3,478,685</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)	<u>(194,811)</u>	<u>(135,196)</u>
	<u>\$ 3,717,065</u>	<u>\$ 3,343,489</u>

The share of profit/loss of associates and joint ventures accounted for under the equity method for the years ended December 31, 2022 and 2021 are as follows:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Associates:		
1. Tung Pei Industrial Co., Ltd.	\$ 245,014	\$ 253,921
2. Lien Chang Electronic Enterprise Co., Ltd.	1,528	38,830
3. Others	<u>(56,263)</u>	<u>(96,920)</u>
	<u>\$ 190,279</u>	<u>\$ 195,831</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, 2022	December 31, 2021		
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, 2022	December 31, 2021
Current assets	\$ 4,504,756	\$ 4,638,552
Non-current assets	7,456,618	7,178,933
Current liabilities	(2,548,354)	(2,936,294)
Non-current liabilities	(1,622,810)	(1,450,643)
Total assets	<u>\$ 7,790,210</u>	<u>\$ 7,430,548</u>
Share in associate's net assets	\$ 2,440,891	\$ 2,313,312
Goodwill	-	-
Carrying amount of the associate	<u>\$ 2,440,891</u>	<u>\$ 2,313,312</u>
	Lien Chang Electronic Enterprise Co., Ltd.	
	December 31, 2022	December 31, 2021
Current assets	\$ 1,465,956	\$ 1,610,794
Non-current assets	409,658	460,488
Current liabilities	(368,510)	(508,731)
Non-current liabilities	(66,450)	(89,398)
Total net assets	<u>\$ 1,440,654</u>	<u>\$ 1,473,153</u>
Share in associate's net assets	\$ 487,575	\$ 498,574
Goodwill	-	-
Carrying amount of the associate	<u>\$ 487,575</u>	<u>\$ 498,574</u>

Statement of comprehensive incomeTung Pei Industrial Co., Ltd.

	For the year ended December 31, 2022	For the year ended December 31, 2021
Revenue	\$ 5,430,538	\$ 5,790,986
Profit for the period from continuing operations	\$ 747,688	\$ 816,173
Other comprehensive income, net of tax	61,122	(2,081)
Total comprehensive income	\$ 808,810	\$ 814,092
Dividends received from associates	\$ 117,435	\$ 74,376

Lien Chang Electronic Enterprise Co., Ltd.

	For the year ended December 31, 2022	For the year ended December 31, 2021
Revenue	\$ 1,000,634	\$ 1,566,696
Profit for the period from continuing operations	\$ 10,418	\$ 114,731
Other comprehensive income, net of tax	12,904	9,406
Total comprehensive income	\$ 23,322	\$ 124,137
Dividends received from associates	\$ 16,894	\$ 9,386

- (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, 2022 and 2021, the carrying amount of the Group's individually immaterial associates amounted to \$983,410 and \$666,799, respectively.

	For the year ended December 31, 2022	For the year ended December 31, 2021
Loss for the period from continuing operations	(\$ 56,263)	(\$ 96,920)
Total comprehensive loss	(\$ 56,263)	(\$ 96,920)

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

	December 31, 2022	December 31, 2021
Lien Chang Electronic Enterprise Co., Ltd.	\$ 372,043	\$ 519,959

- (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, 2022 and 2021, 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, 2022 and 2021 were \$212,320 and \$202,511, respectively. As of December 31, 2022 and 2021, the balances of investments accounted for using equity method were \$2,406,380 and \$2,377,144, respectively. The credit balances of investments accounted for using equity method were \$194,811 and \$132,837, respectively.
- C. The Group has no investments accounted for under the equity method pledged to others.

(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	Unfinished construction	Total
At January 1, 2022										
Cost	\$ 5,433,125	\$ 8,427,400	\$ 5,281,166	\$ 12,186,896	\$ 630,894	\$ 1,269,506	\$ 617,288	\$ 7,523,329	\$ 2,205,658	\$ 43,575,262
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)
2022	\$ 5,398,428	\$ 3,788,897	\$ 2,900,738	\$ 1,491,325	\$ 34,576	\$ 508,975	\$ 139,567	\$ 933,952	\$ 2,205,658	\$ 17,402,116
Opening net book amount	\$ 5,398,428	\$ 3,788,897	\$ 2,900,738	\$ 1,491,325	\$ 34,576	\$ 508,975	\$ 139,567	\$ 933,952	\$ 2,205,658	\$ 17,402,116
Additions	-	109,619	4,194	252,452	1,932	129,765	30,077	312,753	2,037,284	2,878,076
Disposals	-	(47)	-	(18,128)	-	(3,392)	(387)	(6,696)	-	(28,650)
Reclassifications	(160,433)	(19,424)	-	(5,288)	(8,367)	-	(250)	132	-	(193,630)
Depreciation charge	-	(201,195)	(174,245)	(292,438)	(1,034)	(87,926)	(38,832)	(302,260)	-	(1,097,930)
Net exchange differences	11,571	80,073	-	59,326	-	1,782	2,479	16,564	-	171,795
Closing net book amount	\$ 5,249,566	\$ 3,757,923	\$ 2,730,687	\$ 1,487,249	\$ 27,107	\$ 549,204	\$ 132,654	\$ 954,445	\$ 4,242,942	\$ 19,131,777
At December 31, 2022										
Cost	\$ 5,284,263	\$ 8,612,162	\$ 5,285,088	\$ 12,396,063	\$ 614,741	\$ 1,346,062	\$ 643,184	\$ 7,659,717	\$ 4,242,942	\$ 46,084,222
Accumulated depreciation and impairment	(34,697)	(4,854,239)	(2,554,401)	(10,908,814)	(587,634)	(796,858)	(510,530)	(6,705,272)	-	(26,952,445)
	\$ 5,249,566	\$ 3,757,923	\$ 2,730,687	\$ 1,487,249	\$ 27,107	\$ 549,204	\$ 132,654	\$ 954,445	\$ 4,242,942	\$ 19,131,777

	Land	Buildings and structures	Leased assets - buildings and structures	Machinery and equipment	Leased assets - machinery and equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Unfinished construction	Total
<u>At January 1, 2021</u>										
Cost	\$ 5,455,398	\$ 8,566,572	\$ 5,285,406	\$ 12,557,619	\$ 650,463	\$ 1,206,184	\$ 540,536	\$ 7,640,344	\$ 692,736	\$ 42,595,258
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>\$ 692,736</u>	<u>\$ 16,605,524</u>
<u>2021</u>										
Opening net book amount	\$ 5,420,701	\$ 4,062,981	\$ 3,067,263	\$ 1,768,659	\$ 42,401	\$ 486,614	\$ 91,450	\$ 972,719	\$ 692,736	\$ 16,605,524
Additions	905	22,009	6,538	184,992	-	107,149	83,716	325,265	1,512,922	2,243,496
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>\$ 2,205,658</u>	<u>\$ 17,402,116</u>
<u>At December 31, 2021</u>										
Cost	\$ 5,433,125	\$ 8,427,400	\$ 5,281,166	\$ 12,186,896	\$ 630,894	\$ 1,269,506	\$ 617,288	\$ 7,523,329	\$ 2,205,658	\$ 43,575,262
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>\$ 2,205,658</u>	<u>\$ 17,402,116</u>

- A. For the years ended December 31, 2022 and 2021, no borrowing cost was capitalized as part of property, plant and equipment.
- B. 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.
- C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- D. The Group was unable to transfer the title of certain farmland to the Group's name due to legal restrictions. The land title was registered under an individual's name. Accordingly, the Group entered into an agreement with the said individual to secure the title and the first mortgage right.

(9) Leasing arrangements - lessee

- A. The Group leases various assets including land, buildings, machinery and equipment as well as business vehicles. Rental contracts are typically made for periods of 2 to 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 thousand 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, 2022 and 2021, the additions to right-of-use assets were \$503,217 and \$642,980 and the sublease income were \$805,852 and \$807,763, respectively.
- F. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>Carrying amount</u>	<u>Carrying amount</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land (including royalties)	\$ 4,654,356	\$ 4,652,262
Buildings	2,033,210	2,099,957
Machinery and equipment	22,547	9,689
Transportation equipment (Business vehicles)	25,053	14,559
	<u>\$ 6,735,166</u>	<u>\$ 6,776,467</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
	<u>For the year ended</u>	<u>For the year ended</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land (including royalties)	\$ 94,684	\$ 86,928
Buildings	437,978	400,279
Machinery and equipment	9,028	9,956
Transportation equipment (Business vehicles)	10,161	11,072
	<u>\$ 551,851</u>	<u>\$ 508,235</u>

- G. Interest expenses on lease liabilities for the years ended December 31, 2022 and 2021 were \$74,793 and \$70,400 and the cash outflows were \$570,981 and \$538,703, 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, 2022 and 2021 were \$471,108 and \$465,946; \$14,412 and \$20,022, 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 \$5,604 and \$22,846 in profit from lease modification for the years ended December 31, 2022 and 2021, respectively.

(10) Investment property

	Land	Buildings and structures	Right-of-use assets	Total
<u>At January 1, 2022</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>
<u>2022</u>				
Opening net book amount	\$ 1,510,318	\$ 1,283,217	\$ 35,364	\$ 2,828,899
Reclassifications (transfer during the period)	\$ 160,067	\$ 25,240	\$ -	185,307
Depreciation charge	-	(63,317)	(8,307)	(71,624)
Net exchange differences	18,544	4,998	772	24,314
Closing net book amount	<u>\$ 1,688,929</u>	<u>\$ 1,250,138</u>	<u>\$ 27,829</u>	<u>\$ 2,966,896</u>
<u>At December 31, 2022</u>				
Cost	\$ 1,688,929	\$ 2,976,827	\$ 51,216	\$ 4,716,972
Accumulated depreciation and impairment	-	(1,726,689)	(23,387)	(1,750,076)
	<u>\$ 1,688,929</u>	<u>\$ 1,250,138</u>	<u>\$ 27,829</u>	<u>\$ 2,966,896</u>

	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>

At December 31, 2021

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>

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, 2022	For the year ended December 31, 2021
Rental income from investment property	<u>\$ 128,493</u>	<u>\$ 180,833</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 38,164</u>	<u>\$ 53,922</u>
Direct operating expenses arising from the investment property that did not generate rental income during the period	<u>\$ 5,816</u>	<u>\$ -</u>

C. The fair value of the investment property held by the Group as at December 31, 2022 and, 2021 were \$6,150,083 and \$5,415,841, respectively, which is categorized within Level 3 in the fair value hierarchy.

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

	2022	2021
<u>At January 1</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>
Opening net book amount	\$ 4,361,731	\$ 5,149,233
Impairment loss	-	(257,757)
Net exchange differences	194,142	(529,745)
Closing net book amount	<u>\$ 4,555,873</u>	<u>\$ 4,361,731</u>
<u>At December 31</u>		
Cost	\$ 4,871,157	\$ 4,677,015
Accumulated amortization and impairment	(315,284)	(315,284)
	<u>\$ 4,555,873</u>	<u>\$ 4,361,731</u>

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

	December 31, 2022	December 31, 2021
Green mechatronic solution business group	<u>\$ 4,555,873</u>	<u>\$ 4,361,731</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, 2022, the goodwill arising from the merger amounted to \$4,530,003.

(12) Other non-current assets

	December 31, 2022	December 31, 2021
Refundable deposits	\$ 253,971	\$ 243,614
Long-term notes and accounts receivable	131,846	165,054
Deposits account for repatriation of capital from Taiwan's offshore companies	-	361,224
Deferred expenses	40,199	39,450
Other assets	93,812	35,528
	<u>\$ 519,828</u>	<u>\$ 844,870</u>

- A. 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, 2022, 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, 2022, the company had submitted the investment plan to the

Industrial 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\$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, 2022, the Company had submitted the investment plan to the Industrial Development Bureau, Ministry of Economic Affairs, and the investment plan was approved. Also, the Company withdrew funds from the specific account for reinvestment.

(13) Impairment of non-financial assets

- A. The Group recognised impairment loss for the years ended December 31, 2022 and 2021 was \$0 and \$367,190, respectively. Details of such loss are as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
	Recognised in profit or loss	Recognised in profit or loss
Impairment loss — goodwill	\$ -	\$ 257,757
Impairment loss — machinery	-	109,433
	<u>\$ -</u>	<u>\$ 367,190</u>

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
	Recognised in profit or loss	Recognised in profit or loss
Green mechatronic solution business group	\$ -	\$ 359,675
Air and intelligent life business group	-	7,515
	<u>\$ -</u>	<u>\$ 367,190</u>

- C. 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.
- D. 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 recognized impairment loss in the amount of \$7,515 for the year ended December 31, 2021.
- E. 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 \$0 and

\$257,757 for the years ended December 31, 2022 and 2021, 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, 2022	For the year ended December 31, 2021
Growth rate	2.30%	2.16%
Discount rate	9.40%	8.14%

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, 2022	Interest rate range	Collateral
Bank borrowings	\$ 1,751,344	0.70%~7.00%	Notes receivable, land, buildings and structures, demand deposits and time deposits
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

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

Items	December 31, 2022	December 31, 2021
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	\$ 4,144	\$ -

A. The Group recognized net loss of (\$17,381) and (\$2,638) on financial liabilities held for trading for the years ended December 31, 2022 and 2021, respectively.

B. Explanations of the transactions and contract information in respect of non-hedged derivative financial liabilities are as follows:

December 31, 2022			
Derivative instrument	Contract period	Contract amount (Notional principal)	Fair value
Forward foreign exchange contracts			
BUY USD/SELL EUR	October 25, 2022 ~ February 22, 2023	EUR 2,400,000	\$ 2,790
BUY CNH/SELL USD	November 14, 2022 ~ January 17, 2023	CNH 8,000,000	136
BUY USD/SELL AUD	November 17, 2022 ~ February 22, 2023	AUD 2,000,000	404
BUY JPY/SELL USD	November 17, 2022 ~ February 22, 2023	JPY 94,000,000	515
BUY RMB/SELL USD	December 21, 2022 ~ January 31, 2023	USD 3,500,000	299
			<u>\$ 4,144</u>

C. As at December 31, 2021, information on the non-hedging derivative instruments transaction is provided in Note 6(2).

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

(16) Other payables

	December 31, 2022	December 31, 2021
Salary and wages payable	\$ 2,193,042	\$ 2,027,413
Employees' compensation payable	688,059	644,678
Dealers' bonus commission payable	189,936	214,584
Directors' and supervisors' remuneration payable	160,522	165,413
Equipment payable	105,166	131,883
Dividends payable	27,860	28,353
Others	2,629,612	2,332,441
	<u>\$ 5,994,197</u>	<u>\$ 5,544,765</u>

(17) Bonds payable

	December 31, 2022	December 31, 2021
Issuance of bonds payable	\$ 5,000,000	\$ 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>\$ 5,000,000</u>

A. 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 redeemed at face value at September 15, 2022.

- B. 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.

- C. 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, 2022
Long-term bank borrowings and commercial papers payable	Both borrowing periods are from October 1, 2019 to May 2, 2025; payable based on the agreed terms.	0.85%~7.00%	Note	\$ 3,655,514
Less: Current portion (listed as '2320 Long-term liabilities, current portion')				(228,159)
				<u>\$ 3,427,355</u>
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	\$ 4,095,257
Less: Current portion (listed as '2320 Long-term liabilities, current portion')				(491,683)
				<u>\$ 3,603,574</u>

Note: Details of the Group's assets pledged to others as collateral for borrowings are provided in Note 8.

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.

(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, 2022	December 31, 2021
Present value of defined benefit obligations (\$	1,704,855)	(\$ 1,903,650)
Fair value of plan assets	367,030	356,988
Net defined benefit liability	(\$ 1,337,825)	(\$ 1,546,662)

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

	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 1,903,649)	\$ 356,987	(\$ 1,546,662)
Current service cost	(3,417)	-	(3,417)
Interest (expense) income	(12,390)	2,445	(9,945)
Settlement profit or loss	815	-	815
	(1,918,641)	359,432	(1,559,209)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	26,689	26,689
Change in demographic assumptions	(3,149)	-	(3,149)
Change in financial assumptions	103,195	-	103,195
Experience adjustments	(33,431)	1,437	(31,994)
	66,615	28,126	94,741
Pension fund contribution	-	93,343	93,343
Paid pension	111,470	(111,425)	45
Paid from the account	29,618	(2,447)	27,171
Effect of business combination changes	6,084	-	6,084
At December 31	(\$ 1,704,854)	\$ 367,029	(\$ 1,337,825)

	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
	(2,005,541)	335,156	(1,670,385)
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)
	(31,790)	4,618	(27,172)
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	(\$ 1,903,649)	\$ 356,987	(\$ 1,546,662)

- (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, 2022 and 2021 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 ,2022	For the year ended December 31 ,2021
Discount rate	1.20%~7.06%	0.50%~6.72%
Future salary increases	0.50%~8.00%	0.50%~8.00%

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	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	\$ 49,042	(\$ 51,212)	\$ 51,518	\$ 48,568
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	\$ 58,723	(\$ 62,061)	\$ 61,315	\$ 58,158

The sensitivity analysis above is 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, 2023 amount to \$35,059.

(g) The weighted average duration of the defined benefit obligation was 6.6~13.5 years as of December 31, 2022.

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 year ended December 31, 2022 and 2021 ranged from 14%~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, 2022 and 2021 were \$477,977 and \$457,702, respectively.

(20) Share capital

A. As of December 31, 2022, 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.

	2022	2021
At January 1	2,138,797	1,967,693
Issuance of common shares	-	171,104
At December 31	2,138,797	2,138,797

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, 2022 and 2021, 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, 2022		
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	\$ 14.92	\$ 27.55
An-Tai International Investment Co., Ltd.	2,826	10.37	27.55
Top-Tower Enterprises Co., Ltd.	77	9.37	27.55
Taiwan Pelican Express Co., Ltd.	7,070	26.89	27.55
	<u>29,513</u>		
	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
	<u>29,513</u>		

(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:
- 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 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 December 31, 2022, 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 2021 and 2020 net income was respectively resolved by the stockholders on May 20, 2022 and July 23, 2021 as follows:

	For the year ended December 31, 2021		For the year ended December 31, 2020	
	Dividend per share		Dividend per share	
	Amount	(in dollars)	Amount	(in dollars)
Legal reserve	\$ 525,009		\$ 349,413	
Cash dividends	2,887,375	\$ 1.35	2,459,616	\$ 1.15

- F. The appropriations of the 2022 net income was respectively resolved by the stockholders on March 15, 2023 as follows:

	For the year ended December 31, 2022		
	Amount	Dividend per share (in dollars)	
Legal reserve	\$ 338,042		
Cash dividends	3,208,195	\$	1.5
(23) <u>Other equity items</u>			
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1, 2022	\$ 32,113,711	(\$ 4,033,116)	\$ 28,080,595
Unrealized gains and losses on financial assets:			
Revaluation - group	(11,453,686)	-	(11,453,686)
Revaluation - associates	1,827	-	1,827
Revaluation transferred to retained earnings	144,018	-	144,018
Currency translation differences:	-		
-Group	-	1,579,665	1,579,665
At December 31, 2022	\$ 20,805,870	(\$ 2,453,451)	\$ 18,352,419
	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	\$ 32,113,711	(\$ 4,033,116)	\$ 28,080,595
(24) <u>Operating revenue</u>			
	For the year ended December 31, 2022	For the year ended December 31, 2021	
Revenue from customers	\$ 57,397,037	\$ 50,440,359	
Others - rental revenue	918,179	808,028	
	\$ 58,315,216	\$ 51,248,387	

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, 2022	For the year ended December 31, 2021
	Revenue from external customer contracts	Revenue from external customer contracts
Sales of green mechatronic solution business group products	\$ 33,153,803	\$ 28,610,420
Sales of air and intelligent life business group product	5,738,073	5,717,120
Others	1,537,373	1,479,560
Service revenue	8,695,090	8,642,445
Construction contract	8,272,698	5,990,814
	<u>\$ 57,397,037</u>	<u>\$ 50,440,359</u>

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Revenue recognized that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	<u>\$ 515,273</u>	<u>\$ 392,159</u>

(25) Interest income

	For the year ended December 31, 2022	For the year ended December 31, 2021
Interest income from bank deposits	\$ 226,290	\$ 117,724
Interest income from financial assets measured at amortised cost	6,787	9,627
	<u>\$ 233,077</u>	<u>\$ 127,351</u>

(26) Other income

	For the year ended December 31, 2022	For the year ended December 31, 2021
Rental revenue	\$ 157,159	\$ 189,220
Dividend income	1,128,492	884,153
Other non-operating income	258,706	348,309
	<u>\$ 1,544,357</u>	<u>\$ 1,421,682</u>

(27) Other gains and losses

	For the year ended December 31, 2022	For the year ended December 31, 2021
Loss on disposal of property, plant and equipment	(\$ 4,241)	(\$ 2,387)
Loss on disposal of investments	-	(3,097)
Gain (loss) arising from lease modifications	11,912	(211)
Gains arising from concession of lease payments	5,604	22,846
Net currency exchange gain (loss)	209,092	(62,535)
(Loss) gain on financial assets at fair value through profit or loss	(1,131,130)	1,643,837
Loss on financial liabilities at fair value through profit or loss	(17,381)	(2,638)
Impairment loss (Note)	-	(367,190)
Miscellaneous disbursements	(489,435)	(378,727)
	<u>(\$ 1,415,579)</u>	<u>\$ 849,898</u>

Note: Information regarding provision for impairment of assets for the years ended December 31, 2022 and 2021 is provided in Note 6(13).

(28) Finance costs

	For the year ended December 31, 2022	For the year ended December 31, 2021
Interest expense	\$ 201,592	\$ 201,665
Other finance expenses	2,371	1,937
	<u>\$ 203,963</u>	<u>\$ 203,602</u>

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Wages and salaries	\$ 8,795,632	\$ 8,620,501
Employees' compensation and directors' remuneration	651,578	615,754
Labor and health insurance fees	1,139,746	1,101,304
Pension costs	490,524	471,139
Other personnel expenses	451,346	433,881
Depreciation charges on property, plant and equipment as well as investment property	1,169,554	1,205,935
Depreciation charges on right-of-use assets and amortization charges on intangible assets	633,892	596,260

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, 2022 and 2021, employees' compensation was accrued at \$282,888 and \$303,438, respectively; while directors' remuneration was accrued at \$125,710 and \$85,195, respectively. The aforementioned amounts were recognized in salary expenses.
- C. For the year ended December 31, 2022, 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 \$282,848 and \$79,526, and the employees' compensation will be distributed in the form of cash.

The difference of \$289 between employees' compensation of \$303,438 and the difference of \$78 between directors' remuneration of \$85,195 as resolved by the Board of Directors which is mainly arising from changes in estimate of directors' remuneration and the amount recognised in the 2021 financial statements had been adjusted in the profit or loss of 2022.

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.

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Current tax:		
Current tax on profits for the period	\$ 1,338,892	\$ 787,593
Tax on undistributed surplus earnings	93,172	34,771
Prior year income tax under(over)estimation	11,668 (	55,449)
Effect from Alternative Minimum tax	68	46
Total current tax	1,443,800	766,961
Deferred tax:		
Origination and reversal of temporary differences	(13,895)	(117,274)
Total deferred tax	(13,895)	(117,274)
Income tax expense	\$ 1,429,815	\$ 649,687

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Current tax:		
Changes in fair value of financial assets at fair value through other comprehensive income	\$ -	\$ 85,977
Deferred tax:		
Currency translation differences	\$ 311,456	(\$ 122,289)
Remeasurement of defined benefit obligations	2,982	(1,870)
Total deferred tax	\$ 314,438	(\$ 124,159)
Income tax charge relating to components of other comprehensive income	\$ 314,438	(\$ 38,182)

B. Reconciliation between income tax expense and accounting profit:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Tax calculated based on profit before tax and statutory tax rate	\$ 1,530,249	\$ 1,532,963
Expenses disallowed by tax regulation	(168,771)	(504,088)
Effect from investment tax credits	(38,441)	(44,131)
Prior year income tax overestimation	11,668	(55,449)
Under (over) estimation of prior year's net deferred tax assets and liabilities	(13,594)	(355,337)
Tax on undistributed surplus earnings	93,172	34,771
Effect from Alternative Minimum Tax	68	46
Others	15,464	40,912
Income tax expense	\$ 1,429,815	\$ 649,687

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

	2022			
	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	494,053	-	(311,456)	182,597
Difference resulting from different useful lives of property, plant and equipment between financial and tax basis	44,002	1,627	-	45,629
Unrealized expenses	236,709	(18,164)	-	218,545
Permanent loss on investments	35,080	-	-	35,080
Loss on inventory	91,308	46,224	-	137,532
Bad debt exceeded the limit stated by Income Tax Law	9,686	(1,476)	-	8,210
Others	222,175	59,043	(2,982)	278,236
Tax losses	187,383	8,521	-	195,904
	<u>\$ 1,417,175</u>	<u>\$ 95,775</u>	<u>(\$ 314,438)</u>	<u>\$ 1,198,512</u>
— Deferred tax liabilities:				
Investment income from foreign investments	\$ 981,493	\$ 170,801	\$ -	\$ 1,152,294
Land value incremental reserve	1,049,921	2,683	-	1,052,604
Trademark right	-	-	-	-
Others	318,989	(91,604)	-	227,385
	<u>\$ 2,350,403</u>	<u>\$ 81,880</u>	<u>\$ -</u>	<u>\$ 2,432,283</u>
	<u>(\$ 933,228)</u>	<u>\$ 13,895</u>	<u>(\$ 314,438)</u>	<u>(\$ 1,233,771)</u>

	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>

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

December 31, 2022

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax		Expiry year
			assets		
2012	Amount assessed	\$ 250,992	\$ 250,992		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	110,078	85,766		2031
2022	Amount filed	33,609	3,386		2032
		<u>\$ 1,686,844</u>	<u>\$ 1,078,351</u>		

December 31, 2021

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax		Expiry year
			assets		
2012	Amount assessed	\$ 250,992	\$ 250,992		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	110,078	85,766		2031
		<u>\$ 1,653,235</u>	<u>\$ 1,074,965</u>		

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

	December 31, 2022	December 31, 2021
Deductible temporary differences	<u>\$ 1,518,761</u>	<u>\$ 1,524,632</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, 2022 and 2021, the amounts of temporary differences unrecognised as deferred tax liabilities were \$5,107,288 and \$3,496,513, respectively.

G. As of December 31, 2022, 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, 2022			
		Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollars)
	<u>Amount after tax</u>		
<u>Basic (Diluted) earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,457,667	2,109,284	\$ 1.64

Note: The earnings per share of \$1.62 (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.

Year ended December 31, 2021			
		Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
	<u>Amount after tax</u>		
<u>Basic (Diluted) earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 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.

(32) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Acquisition of property, plant and equipment	\$ 2,878,076	\$ 2,243,496
Add:		
Payables at beginning of the period	131,883	197,130
Less:		
Payables at end of the period	(105,166)	(131,883)
Cash paid	\$ 2,904,793	\$ 2,308,743

B. Investing and financing activities with partial cash payments:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Acquisition of financial assets at fair value through other comprehensive income - non-current	\$ 384,617	\$ 3,952,777
Less:		
Conversion through issuing common shares	-	(3,808,921)
Cash paid	\$ 384,617	\$ 143,856

(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, 2022	\$ 2,042,697	\$ 28,353	\$ 6,000,000	\$ 4,095,256	\$ 5,062,094	\$ 17,228,400
Interest expenses on lease liabilities	-	-	-	-	74,793	74,793
Recognised in right -of-use assets	-	-	-	-	503,217	503,217
Remeasurement	-	-	-	-	8,531	8,531
Changes in cash flow from financing activities	(291,353)	(493)	(1,000,000)	(439,742)	(570,981)	(2,302,569)
Effect of foreign exchange	-	-	-	-	(5,247)	(5,247)
December 31, 2022	<u>\$ 1,751,344</u>	<u>\$ 27,860</u>	<u>\$ 5,000,000</u>	<u>\$ 3,655,514</u>	<u>\$ 5,072,407</u>	<u>\$ 15,507,125</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, 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)
Other	-	-	-	-	-	-
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>

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, 2022 and 2021, the non-controlling interest amounted to \$6,293,564 and \$6,448,168, 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, 2022		December 31, 2021	
		Amount	Ownership	Amount	Ownership
Tecom Co., Ltd. and subsidiaries	R.O.C	\$ 306,373	36.48%	\$ 300,195	36.48%
Taiwan Pelican Express Co., Ltd. and subsidiaries	R.O.C	1,464,513	66.62%	1,832,601	66.62%
Century Development Corporation and subsidiaries	R.O.C	2,896,734	47.25%	2,804,257	47.25%
Information Technology Total Services Co., Ltd. and subsidiaries	R.O.C	282,276	50.99%	279,263	50.99%

B. Summarized financial information of the subsidiaries:

Balance sheets

	Tecom Co., Ltd. and subsidiaries			
	December 31, 2022		December 31, 2021	
Current assets	\$	998,137	\$	1,083,023
Non-current assets		894,809		959,170
Current liabilities	(	974,105)	(	1,099,856)
Non-current liabilities	(	443,822)	(	463,807)
Total net assets	\$	475,019	\$	478,530

	Taiwan Pelican Express Co., Ltd. and subsidiaries			
	December 31, 2022		December 31, 2021	
Current assets	\$	1,829,560	\$	1,856,384
Non-current assets		2,741,422		3,154,073
Current liabilities	(	1,168,495)	(	1,116,058)
Non-current liabilities	(	1,204,179)	(	1,143,572)
Total net assets	\$	2,198,308	\$	2,750,827

Century Development Corporation and subsidiaries			
	December 31, 2022		December 31, 2021
Current assets	\$	605,583	\$ 1,484,032
Non-current assets		10,577,104	8,878,166
Current liabilities	(	1,054,477)	(1,003,461)
Non-current liabilities	(	3,468,169)	(2,793,047)
Total net assets	\$	6,660,041	\$ 6,565,690

Information Technology Total Services Co., Ltd. and subsidiaries			
	December 31, 2022		December 31, 2021
Current assets	\$	613,290	\$ 567,611
Non-current assets		272,321	282,442
Current liabilities	(	315,475)	(287,813)
Non-current liabilities	(	16,558)	(14,546)
Total net assets	\$	553,578	\$ 547,694

Statements of comprehensive income

Tecom Co., Ltd. and subsidiaries			
	For the year ended December 31, 2022		For the year ended December 31, 2021
Revenue	\$	1,010,890	\$ 1,070,339
Profit before income tax		41,080	23,196
Income tax expense	(	8,488)	(5,210)
Profit for the period		32,592	17,986
Other comprehensive loss (net of tax)	(	24,780)	(16,330)
Total comprehensive loss for the period	\$	7,812	\$ 1,656
Comprehensive income (loss) attributable to non-controlling interest	\$	17,595	(\$ 16,748)

	Taiwan Pelican Express Co., Ltd. and subsidiaries	
	For the year ended December 31, 2022	For the year ended December 31, 2021
Revenue	\$ 4,509,706	\$ 4,466,137
Profit before income tax	216,207	296,515
Income tax expense	(39,765)	(56,014)
Profit for the period	176,442	240,501
Other comprehensive (loss) income (net of tax)	(528,480)	697,895
Total comprehensive (loss) income for the period	(\$ 352,038)	\$ 938,396
Comprehensive (loss) income attributable to non-controlling interest	(\$ 238,858)	\$ 625,159
Dividends paid to non-controlling interest	\$ 133,560	\$ 114,480
	Century Development Corporation and subsidiaries	
	For the year ended December 31, 2022	For the year ended December 31, 2021
Revenue	\$ 891,427	\$ 817,748
Profit before income tax	428,897	405,313
Income tax expense	(83,092)	(57,085)
Profit for the period	345,805	348,228
Other comprehensive income (loss) (net of tax)	20,324	(38,162)
Total comprehensive income for the period	\$ 366,129	\$ 310,066
Comprehensive income attributable to non-controlling interest	\$ 184,609	\$ 187,915
Dividends paid to non-controlling interest	\$ 142,590	\$ 25,431

	Information Technology Total Services Co., Ltd.	
	For the year ended December 31, 2022	For the year ended December 31, 2021
Revenue	\$ 1,330,274	\$ 1,325,626
Profit before income tax	65,932	86,640
Income tax expense	(10,291)	(14,159)
Profit for the period	55,641	72,481
Other comprehensive income (loss) (net of tax)	4,890	(1,160)
Total comprehensive income for the period	\$ 60,531	\$ 71,321
Comprehensive income attributable to non-controlling interest	\$ 28,370	\$ 36,957
Dividends paid to non-controlling interest	\$ 27,865	\$ 27,864

Statements of cash flows

	Tecom Co., Ltd. and subsidiaries	
	For the year ended December 31, 2022	For the year ended December 31, 2021
Net cash provided by (used in) operating activities	\$ 82,102	(\$ 9,891)
Net cash provided by investing activities	70,665	26,614
Net cash (used in) provided by financing activities	(71,118)	71,155
Increase in cash and cash equivalents	81,649	87,878
Cash and cash equivalents, beginning of period	183,656	95,778
Cash and cash equivalents, end of period	\$ 265,305	\$ 183,656

	Taiwan Pelican Express Co., Ltd. and subsidiaries	
	For the year ended December 31, 2022	For the year ended December 31, 2021
Net cash provided by operating activities	\$ 514,118	\$ 463,915
Net cash used in investing activities	(175,940)	(120,545)
Net cash used in financing activities	(411,980)	(337,722)
Effect of exchange rates on cash and cash equivalents	865	389
Decrease (Increase) in cash and cash equivalents	(72,937)	6,037
Cash and cash equivalents, beginning of period	905,342	899,305
Cash and cash equivalents, end of period	\$ 832,405	\$ 905,342
	Century Development Corporation and subsidiaries	
	For the year ended December 31, 2022	For the year ended December 31, 2022
Net cash provided by operating activities	\$ 693,661	\$ 453,635
Net cash (used in) provided by investing activities	(1,356,591)	324,295
Net cash provided by (used in) financing activities	315,796	(393,025)
Effect of exchange rates on cash and cash equivalents	(12,271)	(2,196)
(Decrease) increase in cash and cash equivalents	(359,405)	382,709
Cash and cash equivalents, beginning of period	613,545	230,836
Cash and cash equivalents, end of period	\$ 254,140	\$ 613,545

Information Technology Total Services Co., Ltd. and subsidiaries		
	For the year ended December 31, 2022	For the year ended December 31, 2022
Net cash provided by operating activities	\$ 72,224	\$ 156,226
Net cash provided by (used in) investing activities	18,494 (	( 37,703)
Net cash used in financing activities	(61,001) (	( 63,758)
Effect of exchange rates on cash and cash equivalents	1,495 (	( 359)
Increase in cash and cash equivalents	31,212	54,406
Cash and cash equivalents, beginning of period	140,280	85,874
Cash and cash equivalents, end of period	\$ 171,492	\$ 140,280

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)	"	Shanghai Tungpei Enterprise Co., Ltd. (Shanghai Tungpei)	"
Taian-Jaya Electric Sdn. Bhd. (Taian-Jaya)	"	Greyback International Property, Inc. (Greyback)	"
An-Sheng Travel Co., Ltd. (An-Sheng)	"	ABC Cooking Studio Taiwan Co., Ltd. (ABC Cooking)	"
Le-Li Co., Ltd. (Le-Li)	"	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)	"	Teco Group Science Technology (Han Zou) Co., Ltd. (Teco Group)	"
Royal Host Taiwan Co., Ltd. (Royal Host)	"	An-shin Food Service Co., Ltd. (An-shin)	Other related parties
Taisan Electric Co., Ltd. (Taisan Electric)	"	Xia Men An-Shin Food Management Co., Ltd.	"
Tension Envelope Taiwan Co., Ltd. (Tension)	"	MOS BURGER AUSTRALIA PTY. LTD.	"
TG Teco Vacuum Insulated Glass (TG Teco Vacuum Insulated Glass)	Note 1	Teco Image System Co., Ltd. (Teco Image)	"
Teco-Motech Co., Ltd. (Teco-Motech)	"	Taiwan Art & Business Interdisciplinary Foundation	"
Shanghai Xiangseng Mechanical and Electrical Trading Co., Ltd.	"	Teco Technology Foundation (Teco Found)	"
ZEPT Inc. (ZEPT)	"	YUBAN & COMPANY	"
Teco Technology & Marketing Center Co., Ltd. (TTMC)	Note 3	An-Hui Information Technology., Ltd. (An-Hui Technology)	"
Kuen Ling Co., Ltd. (Kuen Ling)	Note 2		

Note 1: The investee has been liquidated in 2022.

Note 2: The investee was no longer the related party of the Group after the re-election of directors during the shareholders' meeting in 2021.

Note 3: The investee was merged with Sankyo Co., Ltd in 2022.

(2) Significant related party transactions

A. Operating revenue:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Sales of goods and services:		
Associates	\$ 432,860	\$ 461,920
Other related parties	371,114	310,155
	<u>\$ 803,974</u>	<u>\$ 772,075</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, 2022	For the year ended December 31, 2021
Purchases of goods:		
Associates	\$ 162,315	\$ 356,123
Other related parties	18,808	40,722
	<u>\$ 181,123</u>	<u>\$ 396,845</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, 2022	December 31, 2021
Receivables from related parties:		
Associates	\$ 204,621	\$ 197,304
Other related parties	97,477	81,770
	<u>302,098</u>	<u>279,074</u>
Other receivables - others		
Associates		
Shanghai Xiangseng	14,841	17,305
TTMC	-	36,869
Others	69,661	57,062
Other related parties	2,425	7,325
	<u>86,927</u>	<u>165,937</u>
	<u>\$ 389,025</u>	<u>\$ 397,635</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, 2022	December 31, 2021
Payables to related parties:		
Associates	\$ 45,134	\$ 84,465
Other related parties	4,056	688
	<u>\$ 49,190</u>	<u>\$ 85,153</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, 2022	For the year ended December 31, 2021
Associates	\$ 17,427	\$ 20,603
Other related parties	20,728	27,112
	<u>\$ 38,155</u>	<u>\$ 47,715</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. Others

- (a) 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.
- (b) On June 29, 2022, the Board of Directors of the Group's subsidiary, Teco Australia, resolved to acquire 40% of the equity interest of Ejoy Australia Pty. Ltd. from the other related party, YUBAN, through the wholly-owned subsidiary, Ejoy Australia Holdings Pty. Ltd. The consideration was AUD 411 thousand. The Group will hold 100% of the equity interest of Ejoy Australia Pty. Ltd. after the transaction was completed.

(3) Key management compensation

	For the year ended December 31, 2022	For the year ended December 31, 2021
Salaries and other short-term employee benefits	\$ 463,644	\$ 435,516
Long-term employee benefits	11,058	15,270
Post-employment benefits	11,435	9,333
	<u>\$ 486,137</u>	<u>\$ 460,119</u>

8. Pledged Assets

<u>Pledged asset</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>Purpose</u>
Notes receivable	\$ -	\$ 64,257	Short-term borrowings and deposits for acceptance bill
Other current assets			
Demand deposits	315,635	474,942	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, provisional seizure guarantee, deposits for the exemption from provisional execution and guarantee
Demand deposits	15,447	710,447	Earmarked construction projects, Restricted by the legislation on repatriating offshore funds
Time deposits	244,210	225,764	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	460,000	399,600	Long-term borrowings
Non-current financial assets at amortised cost	10,000	160,000	Performance guarantee
Property, plant, and equipment			
Land	77,392	98,025	Long-term borrowings, short-term borrowings
Buildings and structures	-	10,698	"
Machinery and equipment	140,750	149,575	"
Right-of-use assets	793,198	775,311	"
Other non-current assets			
Refundable deposits	64,298	91,810	Exercise guarantee or warranty for construction and exercise guarantee for tender
Time deposits	-	361,224	Restricted by the legislation on repatriating offshore funds
	<u>\$ 2,120,930</u>	<u>\$ 3,521,653</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.
- On January 10, 2023, the Group's subsidiary, Teco Electirc & Machinery Pte Ltd., received a complaint from the customer regarding the specifications of products sold by the Group's subsidiary that did not meet the customer's requirement, and asked for the compensation of SGD 1,282 and related interests. The case will be tried in the first instance in March 2023.

(2) Commitments

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

	December 31, 2022	December 31, 2021
Property, plant and equipment	\$ 560,228	\$ 2,605,204
Intangible assets	7,638	8,996
	<u>\$ 567,866</u>	<u>\$ 2,614,200</u>

B. As of December 31, 2022, the outstanding usance L/C used for acquiring raw materials and equipment was \$ 53,887.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

- The Board of Directors of the Group's subsidiary, Tong-An Assets Management & Development Co., Ltd., approved the investment proposal for the construction of the Taipei City Songjiang building on July 1, 2020, which was in line with the government's promotion to expedite the reconstruction of unsafe and old buildings. Additionally, on February 10, 2023, the company entered into the agreement of land joint construction with MSIG Mingtai Insurance Company, Limited. The agreement stipulates that the construction will be carried out and invested jointly by TECO and Tong-An Assets. In accordance with the agreement dated February 10, 2023, the Group was required to pay \$1,765,000 for the construction.
- In January 2023, the Group's subsidiary, Teco Sun Energy Co., Ltd entered into an agreement "Assignment of contract for capital contribution of Tai-Peng Energy Co., Ltd " with Shine Energy Co., Ltd to acquire the 100% equity interests in Tai-Peng Energy Co., Ltd.

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, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 3,303,226	\$ 6,850,607
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 34,527,463	\$ 46,224,848
Financial assets at amortised cost /Loans and receivables		
Cash and cash equivalents	\$ 21,156,796	\$ 17,274,143
Financial assets at amortised cost	115,909	392,232
Notes receivable	1,039,657	1,001,157
Accounts receivable	10,351,780	10,201,498
Other receivables	413,068	538,674
Guarantee deposits paid and restricted bank deposits	829,264	2,015,991
	\$ 33,906,474	\$ 31,423,695
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 4,144	\$ -
Financial liabilities at amortised cost		
Short-term borrowings	\$ 1,751,344	\$ 2,042,697
Notes payable	784,791	1,027,193
Accounts payable	9,125,804	9,347,227
Other payables	5,994,197	5,544,765
Lease liabilities	5,072,407	5,062,094
Bonds payable (including current portion)	5,000,000	6,000,000
Long-term borrowings (including current portion)	3,655,514	4,095,256
	\$ 31,384,057	\$ 33,119,232

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, 2022							
			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	\$	103,662	30.7100	\$ 3,183,460	1%	\$ 31,835	\$ -
EUR:NTD		7,233	32.7200	236,664	1%	2,367	-
USD:RMB		11,707	6.9669	81,561	1%	816	-
RMB:NTD		29,385	4.4080	129,529	1%	1,295	-
AUD:NTD		4,478	20.8300	93,277	1%	933	-
USD:SGD		8,624	1.3422	11,575	1%	116	-
USD:EUR		10,244	0.9386	9,615	1%	96	-
USD:MYR		7,116	1.0655	7,582	1%	76	-
Non-monetary items							
USD:NTD		705,005	30.7100	21,650,704			
EUR:NTD		146,854	32.7200	4,805,063			
SGD:NTD		155,510	22.8800	3,558,069			
VND:NTD		265,270,769	0.0013	344,852			
MYR:NTD		8,621	6.9951	60,305			
Financial liabilities							
Monetary items							
USD:NTD		50,717	30.7100	1,557,519	1%	15,575	-
USD:VND		3,953	23,623.0769	121,397	1%	1,214	-
USD:MYR		9,939	4.3902	43,634	1%	436	-
USD:AUD		7,497	1.4743	11,053	1%	111	-
USD:SGD		3,539	1.3422	4,750	1%	48	-

291

- v. Total exchange gain (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, 2022 and 2021 amounted to \$209,092 and (\$62,535), 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, 2022 and 2021 would have increased/decreased by \$106,785 and \$174,195, 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 \$1,716,610 and \$2,298,324, 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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021 would have been \$11,676 and \$12,276 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, 2022 and 2021, the loss rate methodology is as follows:

December 31, 2022			
	Expected credit loss rate	Total book value	Loss allowance
Not past due	0%~1%	\$ 8,970,190	(\$ 22,459)
Up to 30 days	0%~2%	1,049,553	(16,911)
31 to 90 days	1%~20%	542,913	(23,681)
91 to 180 days	1%~100%	283,479	(26,453)
Over 180 days	1%~100%	460,429	(127,721)
		<u>\$ 11,306,564</u>	<u>(\$ 217,225)</u>
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%	842,230	(1,205)
31 to 90 days	1%~20%	461,706	(14,687)
91 to 180 days	1%~100%	195,257	(23,015)
Over 180 days	1%~100%	402,303	(118,961)
		<u>\$ 11,091,908</u>	<u>(\$ 168,327)</u>

December 31, 2022			
	Expected credit loss rate	Total book value	Loss allowance
Individual	100%	\$ 27,254	(\$ 27,254)
Group A	0%~5%	6,287,506	(13,182)
Group B	0%~10%	1,639,893	(5,735)
Group C	1%~20%	1,398,623	(22,818)
Group D	1%~40%	453,283	(35,400)
Group E	1%~100%	1,500,005	(112,836)
		<u>\$ 11,306,564</u>	<u>(\$ 217,225)</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>

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

2022	
	Notes receivable and accounts receivable
At January 1	\$ 168,327
Provision for impairment	52,379
Write-offs during the year	(13,870)
Effect of foreign exchange	10,389
At December 31	<u>\$ 217,225</u>
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>

As of December 31, 2022 and 2021, the Group arose impairment losses from other receivables at amortised cost were \$5,236 and \$1,650, 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, 2022 and 2021, the undrawn credit amounts are \$22,052,652 and \$20,044,060, 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:

<u>December 31, 2022</u>	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	\$ 1,751,344	\$ -	\$ -	\$ -	-
Notes payable	784,791	-	-	-	-
Accounts payable	9,125,804	-	-	-	-
Lease liabilities	573,681	409,543	368,097	602,944	4,437,138
Other payables	5,994,197	-	-	-	-
Bonds payable (including current portion)	-	-	5,000,000	-	-
Long-term borrowings (including current portion)	1,585,816	242,733	1,013,050	61,563	925,412

Non-derivative financial liabilities:

<u>December 31, 2021</u>	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

iv. As of December 31, 2022 and 2021, the derivative financial liabilities which were executed by the Group were all due within one year.

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(10).

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

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

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

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

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

<u>December 31, 2022</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	\$ 2,135,696	\$ -	\$ 1,167,229	\$ 3,302,925
Non-hedging derivatives	-	301	-	301
Financial assets at fair value through other comprehensive income				
Equity securities	<u>34,332,208</u>	<u>-</u>	<u>195,255</u>	<u>34,527,463</u>
	<u>\$ 36,467,904</u>	<u>\$ 301</u>	<u>\$ 1,362,484</u>	<u>\$ 37,830,689</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Non-hedging derivatives	<u>\$ -</u>	<u>\$ 4,144</u>	<u>\$ -</u>	<u>\$ 4,144</u>

<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	<u>45,966,478</u>	<u>-</u>	<u>258,370</u>	<u>46,224,848</u>
	<u>\$ 49,450,387</u>	<u>\$ 4,046</u>	<u>\$ 3,621,022</u>	<u>\$ 53,075,455</u>

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

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

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value
(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods.		
(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. For the years ended December 31, 2022 and 2021, 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, 2022 and 2021:

	Non-derivative equity	
	For the year ended December 31, 2022	For the year ended December 31, 2021
Beginning balance	\$ 3,621,022	\$ 1,331,806
Gains and losses recognized in profit or loss	47,350	58,583
Gain and loss recognized in other comprehensive income	127,816	23,450
Acquired during the period	50,000	2,293,441
Sold during the period	(2,289,362)	(84,421)
Transfer out of the Level 3	(191,013)	-
Capital deducted by returning cash	(3,329)	(1,837)
Ending balance	\$ 1,362,484	\$ 3,621,022

- 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, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	\$ 1,362,484	Market comparable companies	Price to earnings ratio multiple	1.62~2.31	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, 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

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, 2022					
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%	\$ 58,361	(\$ 58,361)	\$ 9,763	(\$ 9,763)
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)

13. Supplementary Disclosures

(1) Significant transactions information

- Loans to others: Please refer to table 1.
- Provision of endorsements and guarantees to others: Please refer to table 2.
- Holding of marketable securities at the end of the periods (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.
- Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- 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.
- Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- Trading in derivative financial instruments undertaken during the reporting periods ended: Please refer to Notes 6(2) and (15).
- 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

- Basic information: Please refer to table 10.
- 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 segments during the fourth quarter of 2021. Accordingly, the Group reorganised green mechatronic solution business group, home appliances group and others group into GM, IE, AI and Others group. In addition, starting from January 1, 2022, the Group adjusted the investment segment according to the current conditions. Because former investment segment had decreased the investment transactions which target the short-term spread on equity shares and gradually disposed such non-operating investments, the investment strategy was adjusted to be aligned with the Group's long-term and related strategical investments. Thus, this company's performance was not measured at segment income. The company excluded the profit or loss in relation to investment units, which is shown as non-operating income and expenses, and remeasured and disclosed in segment information. In the year ended of 2021, the operating segment information was also remeasured and disclosed according to aforementioned segments.

(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 year ended December 31, 2022 and 2021 is as follows:

	For the year ended December 31, 2022					
	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	\$ 30,801,040	\$ 10,092,711	\$ 13,904,399	\$ 3,517,066	\$ -	\$ 58,315,216
Operating revenues from internal segments	19,919,839	787,213	4,656,123	277,906	(25,641,081)	-
Total operating revenues	<u>\$ 50,720,879</u>	<u>\$ 10,879,924</u>	<u>\$ 18,560,522</u>	<u>\$ 3,794,972</u>	<u>\$ 25,641,081</u>	<u>\$ 58,315,216</u>
Segment profits and losses	<u>\$ 3,939,866</u>	<u>\$ 452,711</u>	<u>\$ 487,539</u>	<u>\$ 193,538</u>	<u>\$ -</u>	<u>\$ 5,073,654</u>
	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	\$ 13,982,014	\$ 3,350,000	\$ -	\$ 51,248,387
Operating revenues from internal segments	18,896,823	817,263	5,061,364	335,185	(25,110,635)	-
Total operating revenues	<u>\$ 45,761,490</u>	<u>\$ 7,868,969</u>	<u>\$ 19,043,378</u>	<u>\$ 3,685,185</u>	<u>\$ 25,110,635</u>	<u>\$ 51,248,387</u>
Segment profits and losses	<u>\$ 2,626,288</u>	<u>\$ 416,888</u>	<u>\$ 546,537</u>	<u>\$ 171,006</u>	<u>\$ -</u>	<u>\$ 3,760,719</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 year ended December 31, 2022 and 2021 is provided as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Adjusted operating income of reportable segments	\$ 4,880,116	\$ 3,589,713
Adjusted operating income of other operating segments	193,538	171,006
Interest income	233,077	127,351
(Losses) gains on financial instruments	(1,148,511)	1,641,199
Financial cost	(203,963)	(203,602)
Associates' and joint ventures' profit and loss accounted for under the equity method	190,279	195,831
Gains on disposals of property, plant and equipment	(4,241)	(2,387)
Impairment Loss	-	(367,190)
Dividend income	1,128,492	884,153
Others	153,038	115,804
Income before income tax	<u>\$ 5,421,825</u>	<u>\$ 6,151,878</u>

(5) Information on products and services

Revenue from external customers are derived from the manufacture, installation and wholesale, retail of various types of electrical and mechanical equipment. Details of revenues are as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Sales revenue	\$ 40,429,250	\$ 35,807,100
Construction revenues	8,272,698	5,990,814
Service revenue	8,695,089	8,642,445
Others	918,179	808,028
	<u>\$ 58,315,216</u>	<u>\$ 51,248,387</u>

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows (revenue recognition is based on the operating locations where revenue is earned):

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 32,162,345	\$ 23,235,961	\$ 28,891,610	\$ 21,494,044
America	9,050,038	717,624	6,123,499	621,156
China	6,894,678	3,132,008	6,917,786	3,213,551
Others	10,208,155	1,788,445	9,315,492	1,718,181
	<u>\$ 58,315,216</u>	<u>\$ 28,874,038</u>	<u>\$ 51,248,387</u>	<u>\$ 27,046,932</u>

(7) Major customer information

No single customer accounts for more than 10% of the consolidated operating revenue for the years ended December 31, 2022 and 2021.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2022

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, 2022	Balance at December 31, 2022 (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			
1	U.V.G.	Teco Netherlands	Other receivables	Yes	\$ 229,040	\$ 229,040	\$ 229,040	-	Short-term financing	-	For operating capital	\$ -	-	\$ -	497,702	\$ 829,503	Note 2
2	Teco Westinghouse	TWMM	"	"	70,873	61,420	-	4.49%	Short-term financing	-	For operating capital	-	-	-	693,801	1,387,602	Note 3
3	Great Teco Motor (PTE) Ltd.	Teco Netherlands	"	"	192,000	189,776	189,776	2.18%	Short-term financing	-	For operating capital	-	-	-	281,195	468,659	Note 4
4	Motovario Corp.	Motovario S.P.A.	"	"	184,260	184,260	162,149	4.49%	Short-term financing	-	For operating capital	-	-	-	196,896	262,528	Note 5

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 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, 2022), 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, 2022).

Note 3: 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, 2022), 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, 2022).

Note 4: 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, 2022), 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, 2022).

Note 5: 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, 2022), 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, 2022).

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others
For the year ended December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022	Outstanding endorsement/ guarantee amount at December 31, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%)	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	TECO ELECTRIC & MACHINERY CO., LTD.	Sankyo Co., Ltd	(4)	\$ 16,004,987	\$ 137,408	\$ 104,580	\$ 97,608	-	0.13	\$ 48,014,960	Y	N	N	Note 3
0	"	Motovario	(4)	16,004,987	1,358,915	1,145,200	1,145,200	-	1.43	48,014,960	Y	N	N	"
1	Teco Westinghouse	TWMM	(4)	693,801	64,430	61,420	45,915	-	0.89	1,387,602	Y	N	N	Note 4
2	Teco Australia Pty. Ltd.	Teco New Zealand Pty Ltd	(4)	153,361	14,904	14,600	14,600	-	0.95	306,722	Y	N	N	Note 5
3	Century Development	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)	445,454	187,123	156,969	156,969	-	3.52	890,907	Y	N	N	Note 6
4	Tong-An Assets	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)	529,816	140,342	117,727	117,727	-	2.22	1,059,632	N	N	N	Note 7
5	Tong-An Investment Co., Ltd.	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)	150,934	140,342	117,727	117,727	-	0.59	200,000	N	N	N	Note 8

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

(1) The Company is "0".

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

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

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The 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, 2022), 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 Teeco Westinghouse's policy, the total guarantee amount shall not exceed 20% of Teeco Westinghouse's net assets based on the latest financial statements (December 31, 2022), and the guarantee to a single party shall not exceed 10% of Teeco 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 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, 2022), 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 6: In accordance with Century Development's policy, the total guarantee amount shall not exceed 20% of Century Development's net assets based on the latest financial statements (December 31, 2022), and the guarantee to a single party shall not exceed 10% of Century Development's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 7: In accordance with Tong-An Asset's policy, the total guarantee amount shall not exceed 20% of Tong-An Asset's net assets based on the latest financial statements (December 31, 2022), and the guarantee to a single party shall not exceed 10% of Tong-An Asset's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

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

December 31, 2022

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, 2022				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
	Stock 1	The Company is a director of the investee	Note 1	11,132	\$ 317,808	14.62	\$ 317,808	
	Stock 2	None	"	2,137	58,983	1.43	58,983	
	Stock 3	"	"	210,333	9,927,703	5.64	9,927,703	
	Stock 4	The Company is a director of the investee	"	190,061	5,464,242	3.38	5,464,242	
	Stock 5	None	"	8,697	96,104	0.09	96,104	
	Stock 6	The Company is a director of the investee	"	5,098	222,535	13.42	222,535	
	Stock 7, etc.	None	"	15,796	3,782	-	3,782	
	Stock 8	"	Note 4	3,200	130,253	0.03	130,253	
	Stock 9	"	"	11,527	374,065	1.96	374,065	
	Stock 10	"	"	47,839	401,368	1.58	401,368	
	Stock 11	"	"	201	1,227	-	1,227	
	Stock 12	The Company is a director of the investee	"	32,980	341,190	10.99	341,190	
	Stock 13	None	"	7,500	480,640	5.00	480,640	
	Stock 14, etc.	"	"	22,104	241,031	-	241,031	
	Fund 1	"	"	-	90,173	-	90,173	
	Fund 2	"	"	-	95,245	-	95,245	
	Stock 2	"	Note 1	5,309	146,541	3.56	146,541	
	Stock 15	"	"	720	54,756	0.50	54,756	
	Stock 16	The Company is a director of the investee	"	264	169,257	0.12	169,257	
	Stock 17	None	"	3,177	213,520	0.67	213,520	
	Stock 18, etc.	The Company is a director of the investee	"	9,492	212,620	-	212,620	
	Stock 19, etc.	None	Note 3	1,793	141,974	-	141,974	
	Stock 2	"	Note 1	7,913	218,407	5.31	218,407	
	Stock 15	"	"	1,225	93,087	0.85	93,087	
	Stock 20	An investee company accounted for under the equity method by the Company	"	19,540	538,328	0.91	538,328	
	Stock 18	Related party in substance	"	8,197	137,291	7.28	137,291	
	Stock 21	None	"	8,692	572,800	0.27	572,800	
	Stock 22	"	"	1,285	121,690	0.04	121,690	
	Stock 16	The Company is a director of the investee	"	21,918	14,071,356	10.03	14,071,356	
	Stock 23	None	"	1,217	84,607	0.37	84,607	
	Stock 24, etc.	"	"	31,980	753,619	-	753,619	
	Stock 19	"	Note 3	1,076	78,871	0.67	78,871	
	Stock 25, etc.	"	"	5,451	406,950	-	406,950	
	Stock 16	The Company is a director of the investee	Note 4	1,091	700,294	0.50	700,294	
	Fund 3	None	"	50,000	393,000	-	393,000	

Teco International

Tong-An Investment

As of December 31, 2022

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
Tong-An Investment U.V.G	Fund 4	None	Note 4	662	\$ 22,950	-	\$ 22,950	
An-Tai International	Stock 26, etc.	"	Note 1	118	7,967	-	7,967	
	Stock 2	"	"	653	18,023	0.44	18,023	
	Stock 20	An investee company accounted for under the equity method by the Company	"	2,826	77,849	0.13	77,849	
	Stock 18	Related party in substance	"	1,270	21,275	1.13	21,275	
	Stock 27	"	"	2,756	202,818	8.51	202,818	
	Stock 28	None	"	205	13,866	0.14	13,866	
	Stock 19, etc.	"	Note 3	1,228	101,708	-	101,708	
Jie-Zheng Property	Fund 5, etc.	"	Note 2	-	20,997	-	20,997	
Information Technology Total	Stock 29, etc.	"	Note 1	3,269	32,530	-	32,530	
Service								
Teco Singapore	Stock 16, etc.	Related party in substance	"	474	304,061	-	304,061	
Taiwan Pelican Express	Stock 20	An investee company accounted for under the equity method by the Company	"	7,070	194,778	0.33	194,778	
Teco Australia	Stock 16	None	"	716	459,698	0.32	459,698	
Sankyo	Stock 16	"	"	359	230,750	0.16	230,750	
	Stock 30	"	"	68	5,974	-	5,974	
Tecom and its subsidiaries	Stock 4	The Company is a corporate director of the investee	"	16,222	466,385	0.29	466,385	
	Stock 7, etc.	None	"	1,161	767	-	767	
	Stock 31	"	Note 3	2,119	31,997	1.11	31,997	
	Fund 6, etc.	"	Note 2	546	10,493	-	10,493	
Tong Dai	Stock 20	An investee company accounted for under the equity method by the Company	Note 3	77	2,127	-	2,127	
	Stock 32, etc.	None	"	2	74	-	74	

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, 2022

Expressed in thousands of NTTD (Except as otherwise indicated)																	
Investor	Marketable securities	General ledger account	Relationship with the investor (Note 2)	Balance as at January 1, 2022				Addition				Disposal			Balance as at December 31, 2022		
				Counterparty (Note 2)	Number of shares / units	Amount	Number of shares / units	Amount	Number of shares / units	Selling price	Book value	Gain (loss) on disposal	Number of shares / units	Amount			
Teco Holding	OASIS USD	Note 1	Not applicable	Not applicable	-	\$ 2,216,584	-	\$ -	-	\$ 2,219,164	\$ 2,214,400	\$ 4,764	-	\$ -	-		
	Term Liquidity Fund																

Note 1: The general ledger account is 'Current financial assets at fair value through profit or loss'.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: The balance amount as at December 31, 2022 included unrealised gains or losses from financial assets.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 5

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:

Real estate acquired by	Marketable Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate disposal	Other commitments
Century Biotech Development Corp.	Park permanent work	In October 2019	\$1,660,955	\$1,645,032	FAR EASTERN GENERAL CONTRACTOR INC.	Non-related parties	Not applicable	Not applicable	Not applicable	Not applicable	Comparative price and bargain	Operation needs	None
	Park curtain wall work	In February 2020	410,000	328,840	CHINA WIRE & CABLE CO., LTD.	Non-related parties	Not applicable	Not applicable	Not applicable	Not applicable	Comparative price and bargain	Operation needs	None
	Park electrical and mechanical work	In September 2020	1,375,000	1,076,778	TECO ELECTRIC & MACHINERY CO., LTD.	Related parties	Not applicable	Not applicable	Not applicable	Not applicable	Comparative price and bargain	Operation needs	None
	Park renovation work	In May 2021	483,900	396,039	CHEN-JIA CONSTRUCTION AND ENGINEERING CO., LTD.	Non-related parties	Not applicable	Not applicable	Not applicable	Not applicable	Comparative price and bargain	Operation needs	None

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
For the year ended December 31, 2022

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)			
TECO ELECTRIC & MACHINERY CO., LTD.	Tesen	An investee accounted for under the equity method	Purchases	\$ 2,628,976	12%	30 days	Note	Note	\$ 494	-			
	Taian Subic	"	"	210,335	1%	"	"	"	(67,942)	(1%)			
	Wuxi Teco	An indirect investee accounted for under the equity method	"	1,724,452	8%	"	"	"	(860,696)	(15%)			
	TECO (VIETNAM) ELECTRIC & MACHINERY												
		"	"	950,303	4%	"	"	"	(87,282)	(2%)			
	Tai-An Wuxi	"	"	916,274	4%	"	"	"	(197,411)	(3%)			
	Jiangxi TECO	"	"	135,984	1%	"	"	"	(33,172)	(1%)			
	Tong Dai	An investee accounted for under the equity method	Sales	(1,607,585)	(6%)	90 days	"	"	373,399	8%			
	Teco Singapore	"	"	(523,808)	(2%)	"	"	"	55,263	1%			
	E-Joy International	"	"	(481,729)	(2%)	"	"	"	143,772	3%			
	Taisan Electric	"	"	(202,374)	(1%)	"	"	"	19,712	-			
	Taian Subic	"	"	(129,034)	-	"	"	"	39,270	1%			
	A-Ok Technical	"	"	(111,382)	-	"	"	"	8,569	-			
	Teco Westinghouse	An indirect investee accounted for under the equity method	"	(3,420,685)	(13%)	"	"	"	231,858	5%			
	Teco Australia	"	"	(1,277,640)	(5%)	"	"	"	261,529	6%			
	Teco Westinghouse Canada	"	"	(1,031,795)	(4%)	"	"	"	111,141	3%			
	Sankyo	"	"	(264,912)	(1%)	"	"	"	72,324	2%			
	Top-Tower	"	"	(264,053)	(1%)	"	"	"	89,063	2%			
	Motovario	"	"	(248,739)	(1%)	"	"	"	101,961	2%			
	Teco Netherlands	"	"	(176,283)	(1%)	"	"	"	64,420	1%			
TECO-Westinghouse Motor Company S.A	"	"	(161,867)	(1%)	"	"	"	45,915	1%				
TECO MIDDLE EAST	"	"	(154,922)	(1%)	"	"	"	116,203	3%				

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, 2022

Table 7

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	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	373,723	-	-	307,777	
"	E-Joy International	"	144,532	-	-	83,730	
"	Teco Westinghouse	An indirect investee accounted for under the equity method	299,411	-	-	223,535	
"	Century Biotech Development Corp.	"	264,148	-	-	150,938	
"	Teco Australia	"	262,533	-	-	98,139	
"	Motovario	"	146,231	-	-	21,775	
"	Tesen	"	128,031	-	-	-	
"	TECO MIDDLE EAST	"	116,203	-	-	47,680	
"	Teco Westinghouse Canada	"	111,141	-	-	111,141	
Wuxi Teco	TECO ELECTRIC & MACHINERY CO., LTD.	An investee accounted for under the equity method	860,696	-	-	156,900	
Tai-An Wuxi	"	"	197,411	-	-	112,751	
U.V.G.	Teco Netherlands	An investee accounted for under the equity method	229,040	-	-	-	
Great Teco Motor (PTE) Ltd.	"	Fellow subsidiary	189,776	-	-	-	
Motovario Corp.	Motovario	An investee accounted for under the equity method	184,260	-	-	-	
							Total amount was \$1,468

Table 8

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the year ended December 31, 2022

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	\$ 373,723	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	299,411	"	-
0	"	Teco Australia	"	"	262,533	"	-
0	"	Motovario	"	"	146,231	"	-
0	"	E-Joy International	"	"	144,532	"	-
0	"	Century Biotech Development Corp.	"	Notes receivable	264,148	"	-
0	"	TECO MIDDLE EAST	"	Accounts receivable	116,203	"	-
0	"	Teco Westinghouse Canada	"	"	111,141	"	-
0	"	Tesen	"	Other receivables	128,031	"	-
1	Wuxi Teco	TECO ELECTRIC & MACHINERY CO., LTD.	(2)	Accounts receivable	860,696	"	1%
2	Tai-An Wuxi	"	"	"	197,411	"	-
3	U.V.G	Teco Netherlands	(3)	Other receivables	229,040	"	-
4	Great Teco Motor (PTE) Ltd.	"	"	"	189,776	"	-
5	Motovario Corp.	Motovario	"	"	184,260	"	-
6	TECO ELECTRIC & MACHINERY CO., LTD.	Teco Westinghouse	(1)	Sales	3,420,685	"	6%
0	"	Tong Dai	"	"	1,607,585	"	3%
0	"	Teco Australia	"	"	1,277,640	"	2%
0	"	Teco Westinghouse Canada	"	"	1,031,795	"	2%
0	"	Teco Singapore	"	"	523,808	"	1%
0	"	E-Joy International	"	"	481,729	"	1%
0	"	Sankyo	"	"	264,912	"	-
0	"	Top-Tower	"	"	264,053	"	-
0	"	Motovario	"	"	248,739	"	-
0	"	Taisan Eletic	"	"	202,374	"	-
0	"	Teco Netherlands	"	"	176,283	"	-

Table 8

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the year ended December 31, 2022

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.	TECO-Westinghouse Motor Company S.A	(1)	Sales	161,867	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 MIDDLE EAST	"	"	154,922	"	-
0	"	Taian Subic	"	"	129,034	"	-
0	"	A-Ok Technical	"	"	111,382	"	-
6	Tesen	TECO ELECTRIC & MACHINERY CO., LTD.	(2)	"	2,628,976	"	5%
1	Wuxi Teco	"	"	"	1,724,452	"	3%
7	TECO (VIETNAM) ELECTRIC & MACHINERY	"	"	"	950,303	"	2%
2	Tai-An Wuxi	"	"	"	916,274	"	2%
8	Taian Subic	"	"	"	210,335	"	-
9	JIANGXI TECO	"	"	"	135,984	"	-

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, 2022

Table 9

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022		Net profit (loss) of the investee for the year ended December 31, 2022		Investment income recognized by the Company for the year ended December 31, 2022		Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	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%	2,440,891	747,688	245,014	245,014	None
	Tecom	Taiwan	Manufacturing of key telephone system and nonkey service unit telephone system	431,109	431,109	60,090,307	63.52%	122,417	32,592	6,385	6,385	None
	Teco International	Taiwan	Investment holdings, investments in securities and construction of commercial buildings	100,013	100,013	77,847,395	100%	1,640,215	68,009	69,738	69,738	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%	11,712,525	371,139	370,644	370,644	None
	Teco Singapore and its subsidiaries	Singapore	Distribution of the Company's motor products in Singapore	112,985	112,985	7,200,000	90%	3,558,079	135,694	129,620	129,620	None
	Tong-An Investment	Taiwan	Investment holdings	2,490,000	2,490,000	577,913,365	99.60%	19,309,155	551,537	565,550	565,550	None
	Teco Electro UVG and its subsidiaries	Taiwan Cayman Islands	Manufacturing of Stepping motors Manufacturing and distribution of the Company's motor products and home appliances, and investment holdings	71,460 8,505,434	82,335 8,505,434	10,253,864 195,416,844	59.56% 100%	218,204 8,290,872	44,145 661,435	26,661 659,373	26,661 659,373	None None
	ITTS	Taiwan	E-business service, mailing and data management	111,286	111,286	11,467,248	41.97%	232,329	55,641	23,351	23,351	None
	Tesen	Taiwan	Manufacturing and sales of home appliance	200,000	200,000	20,000,000	100%	212,689	7,899	6,833	6,833	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%	487,575	10,418	1,528	1,528	None

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022		Net profit (loss) of the investee for the year ended December 31,		Investment income recognized by the Company for the year ended December 31,	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	2022	2022	
				\$	\$			\$	\$	\$	
TECO ELECTRIC & MACHINERY	Tong Dai	Taiwan	Distribution of the Company's motor products in Taichung	22,444	22,444	6,615,234	83.53%	443,610	145,919		None
	Teco Vietnam	Vietnam	Manufacturing and sales of motors	540,453	540,453	-	-	344,852	(8,903)	(4,757)	None
	Yatec	Taiwan	Development and maintenance of various electric appliances	92,389	92,389	7,800,000	66.67%	138,974	11,317	7,158	None
	Tong-An Assets	Taiwan	Real estate business	2,111,889	2,111,889	395,415,338	100%	5,298,140	81,555	82,566	None
Eagle Holding Co.	Taian Subic Micropac (BVI) and its subsidiaries	Philippines	Manufacturing and sales of switches	165,819	165,819	17,131,155	76.70%	212,522	13,931	10,436	None
	Century Development	British Virgin Islands	Manufacturing and distribution of optical fiber apparatus and international trading	454,923	454,923	14,883,591	100%	1,212,898	79,648	75,128	None
	An-Tai International	Taiwan	Development and management of industrial park	951,141	951,141	100,592,884	28.67%	1,375,539	345,805	93,672	None
	Taiwan Pelican Express	Taiwan	Logistics and distribution services	150,000	150,000	37,352,237	100%	613,404	27,772	23,866	None
TECO MOTOR	Taian-Ecobar	Taiwan	Bus bar and manufacturing of its components	255,116	255,116	24,121,700	25.27%	360,669	176,442	42,170	None
	Eagle Holding Co.	Taiwan	Investment holdings	70,330	70,330	7,033,000	84.73%	162,861	52,471	44,461	None
	TECO MOTOR B.V.	Cayman Islands	Investment holdings	3,691,723	3,691,723	1	100%	4,805,052	308,783	308,783	None
	Motovario S.p.A	Netherlands	Investment holdings	3,691,723	3,691,723	1	100%	4,805,052	308,783	308,783	None
Tung Pei	Tung Pei (SAMOA) Industrial Co., Ltd.	Italy	Production and sale of gear reducers and motors	3,989,850	3,989,850	18,010,000	100%	4,805,052	308,783	308,783	None
	Baycom	Samoa	Investment holdings and establishment of overseas distribution channel	646,343	646,343	23,031,065	100%	1,917,190	150,107	150,107	None
	Century Development	Taiwan	Manufacturing and sales of optical telecom products	431,258	431,258	14,700,741	43.76%	205,405	41,280	18,066	None
	Taiwan Pelican Express	Taiwan	Development and management of industrial park	420,646	420,646	46,235,042	13.18%	681,276	345,805	46,283	None
Tong-An Investment	Century Biotech Development Corp.	Taiwan	Logistics and distribution services	54,874	54,874	6,474,468	6.78%	149,087	176,442	11,966	None
	Century Real Estate (International) Pte. Ltd.	Taiwan	Development and construction of real estate	514,270	514,270	51,427,000	20.57%	501,580	(11,601)	2,386	None
		Singapore	Investing in other areas	274,856	274,856	9,120,000	30%	148,973	(5,055)	1,521	None

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022		Net profit (loss) of the investee for the year ended December 31, 2022		Investment income recognized by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	December 31, 2022		
				\$	\$			\$	\$		
Lien Chang	Gen Mao International Corp.	Taiwan	Investment holdings	92,000	92,000	12,553,526	100%	151,236	16,119	16,119	None
	Gen Mao (Singapore)	Singapore	Investment holdings	582,246	582,246	27,502,355	84.97%	751,271	122,166	99,575	None
	Gen Mao (Singapore)	Singapore	Investment holdings	91,079	91,079	4,866,045	15.03%	132,881	122,166	17,618	None
Gen Mao International Corp.	Centurytech Construction and Management Corp.	Taiwan	Construction and sales of related raw materials	238,170	238,170	2,250,000	100.00%	(20,412)	16,119	17,145	None
	Jie-Zheng Property Service & Management Co., Ltd.	Taiwan	Building management servicing	13,750	13,750	1,512,500	50%	77,138	35,962	18,043	None
	United Development	Taiwan	Investment consultancy service for domestic and foreign industrial parks and land	25,536	25,536	6,102,973	51.60%	89,741	11,758	6,067	None
Teco Electro	Greyback International Property Inc.	Philippines	Housing project in Subic	9,912	9,912	144,600	30.11%	10,457	(22)	(7)	None
	Century Real Estate (International) Pte. Ltd.	Singapore	Investing in other areas	365,820	365,820	12,160,000	40%	270,203	(5,055)	(2,022)	None
	Century Biotech Development Corp.	Taiwan	Development and construction of real estate	771,460	771,460	77,146,000	30.86%	752,463	(11,601)	(3,580)	None
Teco Singapore	Teco Electro Devices Co., Ltd.	British Virgin Islands	Trading and investment holdings	88,108	88,108	2,510,000	100%	243,820	21,358	22,409	None
	Century Development	Taiwan	Development and management of industrial park	179,222	179,222	21,264,873	6.06%	2,699	345,805	210	None
	Century Development	Taiwan	Leasing of real estate	184,893	184,893	17,013,593	4.85%	214,711	345,805	16,265	None
Tong-An Assets	Century Biotech Development Corp.	Taiwan	Development and construction of real estate	514,270	514,270	51,427,000	20.57%	501,580	(11,601)	(2,386)	None
	Century Real Estate (International) Pte. Ltd.	Singapore	Investing in other areas	274,856	274,856	9,120,000	30%	197,228	(5,055)	(1,558)	None

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2022

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 Taiwan to Mainland China as of January 1, 2022		Amount remitted from Taiwan to Mainland China/ to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance to Mainland China as of December 31, 2022		Net income of the year ended December 31, 2022	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022		Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
				\$	\$	\$	\$	\$	\$	\$			\$	\$	\$	
Teco (Dong Guang)	Manufacturing and sales of air conditioners/mechanical equipment	\$ 268,799	Note 2	\$ 188,139	\$ -	\$ -	\$ 188,139	\$ 4,047	100%	4,047	100%	\$ 4,228	\$ 136,295	\$ -	-	Note 15
Wuxi Teco	Manufacturers mechanical equipment	1,697,276	Note 1	768,259	-	-	768,259	490,683	84.12%	490,683	84.12%	417,927	1,971,584	386,884	-	Note 14
Taian (Wuxi)	Manufacturing and sales of optical fiber	495,213	Note 10	205,551	-	-	205,551	79,790	100%	79,790	100%	79,740	1,040,287	217,858	-	Note 15
Nanchang Teco	Manufacturing and sales of home appliances	456,293	Note 3	456,293	-	-	456,293	7,642	100%	7,642	100%	7,642	(18,720)	-	-	Note 15
Jiangxi Teco	Manufacturing and sales of motors	1,481,569	Note 1	1,383,653	-	-	1,383,653	102,479	98.07%	102,479	98.07%	100,501	1,569,735	72,823	-	Note 14
Qingdao Teco	Manufacturing and sales of dyes	947,331	Note 1	1,648,510	-	-	1,648,510	3,860	87.60%	3,860	87.60%	3,382	248,759	-	-	Note 14
Xiamen An-Tai	Development, manufacturing and sales of LCD monitors.	678,681	Note 3	467,577	-	-	467,577	2,246	100%	2,246	100%	2,246	248,431	-	-	Note 14
Teco Han Zhou	Development and consulting of device products	9,837	Note 1	9,837	-	-	9,837	1,483	100%	1,483	100%	1,147	23,110	11,937	-	Note 15
Teco Century	Manufacturing and sales of compressor	680,938	Note 3	340,469	-	-	340,469	4,527	24%	4,527	24%	1,087	29,284	-	-	Note 15
Fujian Teco	Manufacturing and sales of electronic components	391,843	Note 1	391,843	-	-	391,843	(1,831)	100%	(1,831)	100%	(1,831)	47,053	-	-	Note 15
Shanghai Xingseng	Distribution of air conditioner	24,004	Note 2	-	-	-	-	2,062	39.90%	2,062	39.90%	823	(10,285)	-	-	Note 15
Jiangxi TECO (AC)	Manufacturing and sales of air conditioning mechanical equipment	79,813	Note 3	79,813	-	-	79,813	12,748	100%	12,748	100%	12,748	141,555	-	-	Note 15
Qingdao Teco Innovation	Science Park development and business operations and consulting services	59,444	Note 12	59,444	-	-	59,444	(1,906)	100%	(1,906)	100%	(1,906)	39,067	-	-	Note 15
Shanghai Teco	Sales of home appliances	23,829	Note 1	23,829	-	-	23,829	128,322	100%	128,322	100%	126,503	257,152	100,122	-	Note 14
Jiangxi TECO Westinghouse Motor Coil Co., Ltd.	Manufacturing and sales of motors, winding and related parts	119,840	Note 11	-	-	-	-	8,326	100%	8,326	100%	8,326	120,478	-	-	Note 15
Wuxi TECO Precision	Production and sale of industrial motors and applications	656,500	Note 13	-	-	-	-	20,456	100%	20,456	100%	21,948	852,156	-	-	Note 15
Industry Co. Ltd. Beijing Pelican Express	Storage services	26,422	Note 4	26,422	-	-	26,422	-	-	-	-	-	-	-	-	Note 18
Fubon Gehua (Beijing) Trading Co., Ltd.	Merchandise wholesale	349,215	Note 5	24,746	-	-	24,746	-	1.63%	-	1.63%	-	-	-	-	Note 16、17
Wuhan Tecom	Communication network information, technology development, sales and technology services business	6,950	Note 6	6,950	-	-	6,950	1,025	100%	1,025	100%	1,031	(173)	-	-	Note 14、19

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
Information Technology (Wuxi)	ERP building, system maintenance and purchases of information appliance	10,167	Note 8	10,167	-	10,167	6,185	100%	6,185	35,156	-	Note 14
Information Technology Total Service (Xiangnan)	ERP building, system maintenance and purchases of information appliance	4,421	Note 8	-	-	-	762	-	762	-	-	Note 14、20
Wuxi TECO Electro Devices Co., Ltd.	R&D, manufacturing and sales of motors and provide products sales skills	115,225	Note 9	86,101	-	86,101	21,358	100%	22,409	161,897	43,265	Note 15

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

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

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

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

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

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

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

Note 8: Through investing in an existing company in the third area, which then invested in the investee in Mainland China: Invest through 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: 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. 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 not audited by the other CPA firm.

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

Note 17: As of December 31, 2022, accumulated impairment of \$24,746 was accrued.

Note 18: The company was dissolved and liquidated in 2022.

Note 19: There were upstream transactions with the subsidiaries amounting to (\$6) during the period.

Note 20: The cancellation of registration was completed on August 11, 2022.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	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	\$ 51,791,100
Taiwan Pelican Express Co., Ltd.	51,168	51,168	1,318,985
Tecom Co., Ltd.	6,950	681,144	285,012
Information Technology Total Services Co., Ltd.	10,167	10,167	332,147
Teco Electro Devices Co., Ltd.	86,101	115,225	220,594

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, 2022

Table 11

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, 2022		Financing		Interest during the year ended December 31, 2022	Others
	Amount	%	Amount	%	Balance at December 31, 2022	%	Balance at December 31, 2022	%	Balance at December 31, 2022	Purpose	Balance at December 31, 2022	Interest rate		
Wuxi Teco	\$ 13,843	-	\$ -	-	\$ 2,922	-	\$ -	-	\$ -	-	-	-	\$ -	-
Taian (Wuxi)	9,106	-	-	-	2,531	-	-	-	-	-	-	-	-	-
Jiangxi Teco	22,195	-	-	-	7,382	-	-	-	-	-	-	-	-	-
QingDao Teco	44	-	-	-	172	-	-	-	-	-	-	-	-	-
Shanghai Teco	13,885	-	-	-	-	-	-	-	-	-	-	-	-	-
Jiangxi TECO (AC)	862	-	-	-	-	-	-	-	-	-	-	-	-	-
Wuxi Teco Precision	1,367	-	-	-	230	-	-	-	-	-	-	-	-	-
Wuxi Teco	(1,724,452)	(8%)	-	-	(860,696)	15%	-	-	-	-	-	-	-	-
Taian (Wuxi)	(916,274)	(4%)	-	-	(197,411)	3%	-	-	-	-	-	-	-	-
QingDao Teco	(38,428)	-	-	-	-	-	-	-	-	-	-	-	-	-
Jiangxi Teco	(135,984)	(1%)	-	-	(33,172)	1%	-	-	-	-	-	-	-	-
Xiamen An-Tai	(5,044)	-	-	-	-	-	-	-	-	-	-	-	-	-
Jiangxi TECO (AC)	(44,439)	-	-	-	(10,072)	-	-	-	-	-	-	-	-	-
Wuxi Teco Precision	(8,141)	-	-	-	-	-	-	-	-	-	-	-	-	-
Genmao (Suzhao)	(75,547)	-	-	-	(4,719)	-	-	-	-	-	-	-	-	-



TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Major shareholders information

December 31, 2022

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%

6.4 The company and its affiliated companies had no financial turnover difficulties in the most recent year and up to the date of publication of the annual report.

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

7.1 Analysis of Financial Status

Unit: NT\$thousand

Item \ Year	2022/12/31	2021/12/31	Difference		Remark
			Amount	%	
Current Assets	50,317,421	49,333,671	983,750	2	
Fixed Assets	19,131,777	17,402,116	1,729,661	10	
Intangible Assets	4,668,399	4,439,567	228,832	5	
Other Assets	52,485,513	65,437,096	(12,951,583)	(20)	Note
Total Assets	126,603,110	136,612,450	(10,009,340)	(7)	
Current Liabilities	22,653,920	23,074,011	(420,091)	(2)	
Non Current Liabilities	17,630,691	17,876,508	(245,817)	(1)	
Total Liabilities	40,284,611	40,950,519	(665,908)	(2)	
Equity attributable to owners of parent	80,024,934	89,213,763	(9,188,829)	(10)	
Capital stock	21,387,966	21,387,966	0	0	
Capital surplus	9,575,822	9,529,520	46,302	0	
Retained Earnings	31,220,437	30,727,392	493,045	2	
Other equity	17,840,709	27,568,885	(9,728,176)	(35)	Note
Non Controlling Interest	6,293,565	6,448,168	(154,603)	(2)	
Total Stockholders' Equity	86,318,499	95,661,931	(9,343,432)	(10)	
Note: The decrease is mainly due to the unrealized loss on the valuation of financial assets at fair value through other comprehensive income held by the Group in 2022, which increased both assets and equity.					

7.2 Analysis of Operating Results

7.2.1 Operating Results

Unit: NT\$thousand

Item \ Year	2022	2021	Difference		Remark
			Amount	%	
Sales Revenue	58,315,216	51,248,387	7,066,829	14	
Operating Costs	(45,129,917)	(39,812,612)	(5,317,305)	13	
Gross Profit	13,185,299	11,435,775	1,749,524	15	
Realized(Unrealized) Profit from Sales	(997)	1,164	(2,161)	(186)	Note 1
Gross Profit - Net	13,184,302	11,436,939	1,747,363	15	
Operating Expenses	(8,110,648)	(7,676,221)	(434,427)	6	
Operating Profit	5,073,654	3,760,718	1,312,936	35	Note 2
Non-operating Income and Gains	348,171	2,391,160	(2,042,989)	(85)	Note 3
Profit before income tax	5,421,825	6,151,878	(730,053)	(12)	
Tax Expense	(1,429,815)	(649,687)	(780,128)	120	Note 4
Net Income	3,992,010	5,502,191	(1,510,181)	(27)	Note 5
Other comprehensive income	(10,137,765)	21,474,459	(31,612,224)	(147)	Note 6
Total comprehensive income	(6,145,755)	26,976,650	(33,122,405)	(123)	Note 7
Analysis and explanation for changes: 1. Mainly due to the inventory sold by the company to non-consolidated related enterprises increased, resulting in an increase in unrealized profit. 2. Mainly due to the increase in revenue and gross profit, as well as expense control. 3. Mainly due to unrealized losses on the valuation of financial assets at fair value through profit or loss. 4. Mainly due to the increase in operating profit compared with the previous period. 5. Mainly due to unrealized losses on the valuation of financial assets at fair value through profit or loss. 6. Mainly due to unrealized losses on the valuation of financial assets at fair value through other comprehensive income, resulting in a reduction in other comprehensive income. 7. Mainly due to the decrease in net income 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
17,274,143	6,377,629	2,494,976	21,156,796	-	-
<p>A. Analysis of change in cash flow:</p> <p>a. Operating activities: The increase in 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: Redemption of fund investments and unrestriction of restricted Bank Deposits is the main reason for cash inflow 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 Improvement plan for insufficient liquidity: Not applicable

7.3.3 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
21,156,796	6,584,394	3,444,215	24,296,975	-	-
<p>A. Analysis of change in cash flow in the current year:</p> <p>a. Operating activities: It is expected that net cash inflows from operating activities this year will reach double-digit growth, resulting from growth in revenue and profitability compared with 2022.</p> <p>b. Investing activities: It is expected that the dividend income earned in 2023 is just enough to pay for the investment in property, plant and equipment.</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	
				2022	2023~2024
2022 Capital Expenditure – new equipment, equipment renewal and capacity expansion	Working Capital	2022/12/31	2,487,000	2,487,000	-
2023 Capital Expenditure – new equipment, equipment renewal and capacity expansion	Working Capital	2023/12/31	3,212,000	-	3,212,000

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. In addition, the Songjiang Building will be rebuilt to revitalize the land assets, which will bring stable rental income

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 electromechanical, 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, focusing on three major fields, electromechanical, energy and air conditioners, 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 gain recognized by the equity method of the Group in 2022 was NT\$ 190,279 thousand, with an decrease of NT\$5,552 thousand compared with the investment gain recognized in 2021, (NT\$195,831 thousand). It was mainly due to less earnings at TPI BEARINGS .

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, intelligence, automation and digitalization to develop high- efficiency & high-power-density steel shell motor, IE5 high efficiency permanent magnet motor, low-speed direct-drive permanent magnet motors, synchronous reluctance motor, EC(electronically commutated) motor and high efficiency & energy saving inverter duty 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

	2022	Unit: NT\$Thousand
Net Interest Income or Expense (1)		31,485
Sales Revenues(2)		58,315,216
Operating Profit(3)		5,073,654
(1)/(2)		0.05%
(1)/(3)		0.62%

The Company's net interest income for the year 2022 was NT \$ 31,845 thousand, accounting for 0.05% of annual sales revenue and 0.62% of operating profit.

The situation of COVID-19 pandemic in the world has already been improved, but it is facing problems such as rising inflation and the war between Russia and Ukraine. The central banks of major countries led by the US Federal Reserve (Fed) continue to raise interest rates, and the US has raised interest rates throughout the year. The interest rate has been raised 9 times, with a cumulative increase of 475bps; Taiwan's central bank has also raised interest rates 4 times, with a cumulative increase of 62.5bps.

Looking forward to this year, inflation around the world has gradually declined, and the pace of interest rate hikes in countries around the world will also slow down. The Fed raised interest rates by 50bps in February and March. After raising interest rates in March, it indicated that the cycle of interest rate hikes may be ended earlier, no interest rate cut will be considered within this year, and it is predicted that the interest rate will remain high this year.

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

	2022	Unit: NT\$thousand
Currency Exchange Gain or Loss(1)		209,092
Sales Revenues(2)		58,315,216
Operating Profit(3)		5,073,654
(1)/(2)		0.36%
(1)/(3)		4.12%

The company's net currency exchange gain was NT\$209,092 thousand in year 2022, which was mainly due to the appreciation of US dollar against New Taiwan dollar and RMB.

It is predicted that in the first half of this year, various currencies will fluctuate against the US dollar in a range; in the second half of the year, the European and American economies will recover, and exports from other countries will increase, and the exchange rate against the US dollar will have a more obvious upward trend. In addition to continuously paying attention to exchange rate fluctuations, the company has implemented the following countermeasures.

- a. In addition to natural hedging associated with positions of assets and liabilities, the company will undertake substantial 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 2022 will be 2.95%, a new high in 14 years. After a high of 3.59% in June 2022, it began to slow down and fell to 2.43% in February 2023, but it was still higher than the central bank's 2% target. Although the freight cost and price of the company's main raw materials include steel, copper, aluminum, etc. have fallen from last year's high point, the purchase cost is still relatively high compared to the past.

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 2022, outstanding loans extended by the company amounted to NT\$0 thousands.
- C. In 2022, the outstanding amount of the endorsement and guarantee extended by the company reached NT\$1249,780 thousand, for the company's subsidiaries, affiliates, and business partners. The company has obtained the financial statements and business profile information of the company endorsed and guaranteed 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 2022, 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 2023 is NT\$1,292,952 thousand.

In recent years, TECO has gathered the research and development strength and market experience of the company's research and development units at home and abroad, and strengthened its core business through industry-university-research cooperation, and actively invested in the green energy industry. It also launched several important R&D projects in the areas of permanent magnet synchronous motors, electric vehicle power trains, power conditioning systems, robot arm joint modules, medium voltage inverters, sensor-free feedback permanent magnet motor drives, precision servo motors, high-speed spindle motors, IE5 synchronous reluctance motors, high-level control algorithms, residential air conditioners and commercial air conditioner system solutions, and Internet of Things applications.

In response to the mid-to-long term new technology and new product development, as well as short-term operational needs for product cost-effectiveness improvement, TECO's R&D team is actively looking for external resources, operating through technical consultation, cooperation, and introduction to enrich its technical capabilities.

Starting from existing core technologies such as rotating electrical machine and generator design, motor drive and design, power electronic control and design, and gateway technology, integrate new market demand, industrial specifications, new material applications, sensor application technology, wireless network technology, and the field of green energy industry technology (such as hydrogen energy and CCUS, Carbon Capture, Utilization and Storage, reuse and storage, etc.), coordinate the overall R&D strategy and technology 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 2023 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. Electromechanical systems and automation products and technologies

a. Electromechanical products

- Development of MW-level high-voltage high-power-density steel shell motors
- IE5 ultra-high energy efficiency explosion-proof motor
- IE5 ultra-high energy efficiency synchronous reluctance motor and drive development
- Matrix converter prototype and system integration development
- Development of high-efficiency short servo motor

- Research and development of four-quadrant control of medium-voltage inverters, industrial network and frequency conversion switching
- Development of low-speed high-torque permanent magnet motor direct drive system
- Development of compact current vector inverter
- Development of high-speed magnetic levitation drive
- Commercial drone power system development

b. Electrical Vehicle products

- Integrated development of electric vehicle E-Axle power train
- Development of next-generation high power density automotive products

c. Automation products

- High-end AFE and controller product technology research and development
- Collaborative robot joint module development
- Development of next-generation high-performance servo drives
- Multi-axis servo technology development
- Development of compact DC servo products
- Ultra-thin and streamlined AC servo product development
- EtherCat streamlined AC servo product development
- Adjustment feature selection function technology development
- High-level command adjustment function technology development
- Technology development of speed ripple compensation function
- Harmonic suppression technology development
- I/O filter development
- Development of robot image recognition technology

B. Air conditioner and smart home appliance products and technologies:

a. Household products

- Research and development of low-energy-consumption inverter refrigerators
- TECO "i-Air" full smart healthy air solution development

b. Commercial products

- Development of commercial high-capacity full DC inverter air-cooled box-type air conditioner
- Development of multi-pressure single system for high IPLV magnetic levitation centrifuge unit
- Development of medium temperature inverter duty condensing unit
- Development of low temperature inverter duty condensing unit
- Development of frozen and refrigerated cold chain brine units

c. Smart networking system

- Development of high-resolution hot water/air-cooled special machines for intelligent networking information centers
- Development of group control energy-saving solutions for HVAC air-conditioning systems

- Development of cloud monitoring expert diagnosis system for HVAC air conditioning system
- Solution of energy-saving control system for smart chiller
- Development of frozen and refrigerated fresh food smart cabinets

C. Industrial Internet of Things:

- a. Edge heterogeneous network integration and feature analysis system application
- b. Parallel deployment of overseas factories for Industrial Internet of Things:
Wuxi Precision, Wuxi Jinyi Factory, Wuxi Jinji Factory, Jiangxi TECO's first phase infrastructure construction
- c. Layout and planning of newly built overseas factories of the Industrial Internet of Things:
India new factory, Mexico factory construction plan
- d. Air compressor system of the whole plant and intelligent system management of electricity and gas
- e. Data Analysis:
 - Landing application of equipment utilization rate report
 - Landing application of equipment failure abnormal indicators
- f. AI vision import gas meter value extraction
- g. Robotic process automation is introduced into foundry inspection process management
- h. Smart mobile platform vehicle and production line information flow application integration

D. New energy storage products and technologies

- a. Development of offshore wind generator technology
- b. Research and development of KW four-quadrant wind power converter
- c. 180kW DC-DC converter development
- d. 1.5MW power conditioning system (PCS) product development

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	Electromechanical and automation products 1. IE5 ultra-high energy efficiency explosion-proof motor 2. IE5 ultra-high energy efficiency synchronous reluctance motor and drive product development 3. Research and development of high-performance servo motors and drives 4. Development of low-speed high-torque permanent magnet motor direct drive system 5. Development of high-speed maglev controller 6. UAV power system development 7. Next-generation inverter prototype development 8. Development of power trains for commercial vehicles and electric buses 9. Intelligent battery and battery management system development

Term of R&D	Focus	Major R&D items
		<p>Electromechanical and automation Technology</p> <ol style="list-style-type: none"> 1. Research and development of sinusoidal sensorless drive technology 2. Servo parameter automatic adjustment technology 3. Energy-saving electric vehicle whole vehicle verification technology research and development 4. Electric vehicle power battery verification technology development 5. Electric vehicle power battery verification technology development 6. Development of braking energy recharging technology <p>Air conditioner and smart home appliance products and technologies</p> <ol style="list-style-type: none"> 1. Smart chiller energy-saving control system solution 2. Development of cloud monitoring expert diagnosis system for HVAC air conditioning system 3. Development of multi-pressure single system for high IPLV magnetic levitation centrifugal unit 4. Development of medium temperature inverter duty condensing unit for supermarkets/supermarkets 5. Development of low-temperature inverter duty condensing units for agriculture/fishery/aquaculture 6. Development of High Efficiency Inverter Air Conditioning Technology 7. Development of large-capacity inverter air conditioner <p>Energy storage products and technologies</p> <ol style="list-style-type: none"> 1. 1.5MW Power Conditioning System (PCS) Product Development 2. Single/Bidirectional DC Power Converter Development 3. Single/Bidirectional AC/DC Power Converter Development
Mid-term	Accumulation of core technological strength & Development of new technological strength	<p>Electromechanical and automation Technology</p> <ol style="list-style-type: none"> 1. New Generation Insulation System Development 2. Technical development of MW-level high-voltage high-power-density steel shell motors 3. Development of high-speed permanent magnet motor and driver 4. Integrated development of electric vehicle E-Axle power train 5. Ultra low speed direct drive permanent magnet motor development 6. Medium and high voltage inverter technology research and development 7. Research and development of high-level inverter duty technology 8. Gateway technology of electronic control product series 9. Multi-axis servo drive technology development 10. Development of high-speed magnetic levitation assembly 11. Integrated development of magnetic bearings combined with sensors <p>Air Conditioning and Smart Home Appliance Technology</p> <ol style="list-style-type: none"> 1. Development of DC inverter air conditioner technology 2. Technology and product development of refrigerated cold chain brine units 3. Technology and product development of high-resolution hot water/air-cooling special machine for intelligent networking

Term of R&D	Focus	Major R&D items
		<p>information center</p> <p>4. Development of group control energy-saving solution for HVAC air conditioning system</p> <p>5. Application technology of digital home in smart phone</p> <p>Energy storage and technology</p> <p>1. Offshore Wind Generator Technology Development</p> <p>2. DC-DC Power Converter Development</p> <p>3. Single/Bidirectional AC/DC Power Converter Development</p> <p>4. Energy Management System (EMS) Development</p>
Long-term	Deployment in new business scope	<p>Electromechanical and automation Technology</p> <p>1. Development of Traction Motors for Rail Vehicles</p> <p>2. Machine networking system integration research and development</p> <p>3. New Generation Industrial Servo System R&D</p> <p>4. Multi-axis servo system integration research and development</p> <p>5. Development of next-generation high power density automotive products</p> <p>6. Development of high-speed maglev drive system</p> <p>Air Conditioning and Smart Home Appliance Technology</p> <p>1. New generation digital home appliance system research and development</p> <p>2. Next-generation inverter air conditioner technology development</p> <p>Energy storage and technology</p> <p>1. Micro smart grid system integration research and development</p> <p>2. Energy storage system solution</p>

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 January 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

After the acquisition of Taipeng Energy, it is expected that 12MW-15MW of new solar power plants will be installed in 2023. The construction of solar power plants and related contracts are performed in accordance with the contract, with low risk

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

None

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

None

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

The corporate director of the company, Creative Sensor, due to its investment strategy, transferred 16,030,000 shares in open market from 2022 to the publication date of the annual report, accounting for 0.75% of the company's issued shares. Since Creative Sensor only occupies one seat of the company's board and is not the company's main management team, there is no major impact or risk on the company's operations.

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 change and additional engineering payment	LiJin Engineering.	The court is hearing (the court appointed the Taiwan Construction Research Institute for appraisal). There is no significant adverse impact on TECO	\$166,965
2	Request payment for the new construction of Nangang Exhibition	Construction and Planning Agency, Ministry of the	The first-instance judged that the counterparty should pay TECO (Leader Construction, TECO, TMA Architects and Associate) a total of	\$197,262

Number	The cause of the case	the counterparty	the progress of the case	Amount
	Hall	Interior	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 second instance of the court on 2022.11.29 pronounced: the original judgment ordering the appellant to pay more than NT\$392,052 thousand was rejected, and the Construction Administration of the Ministry of the Interior has appealed. At present, there is no material adverse effect on TECO.	

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.

7.7 Other Important Items

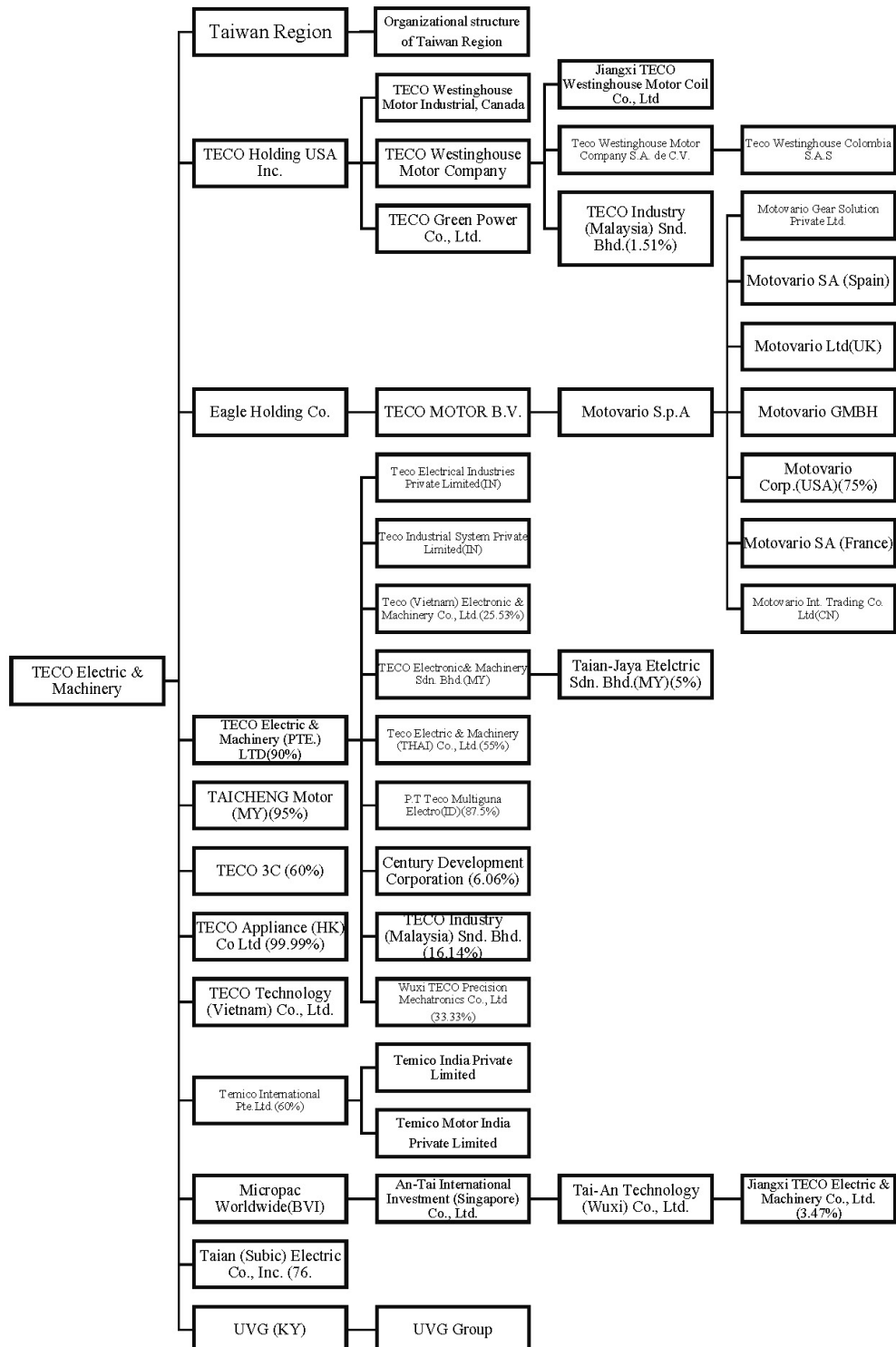
None

VIII. Special Disclosure

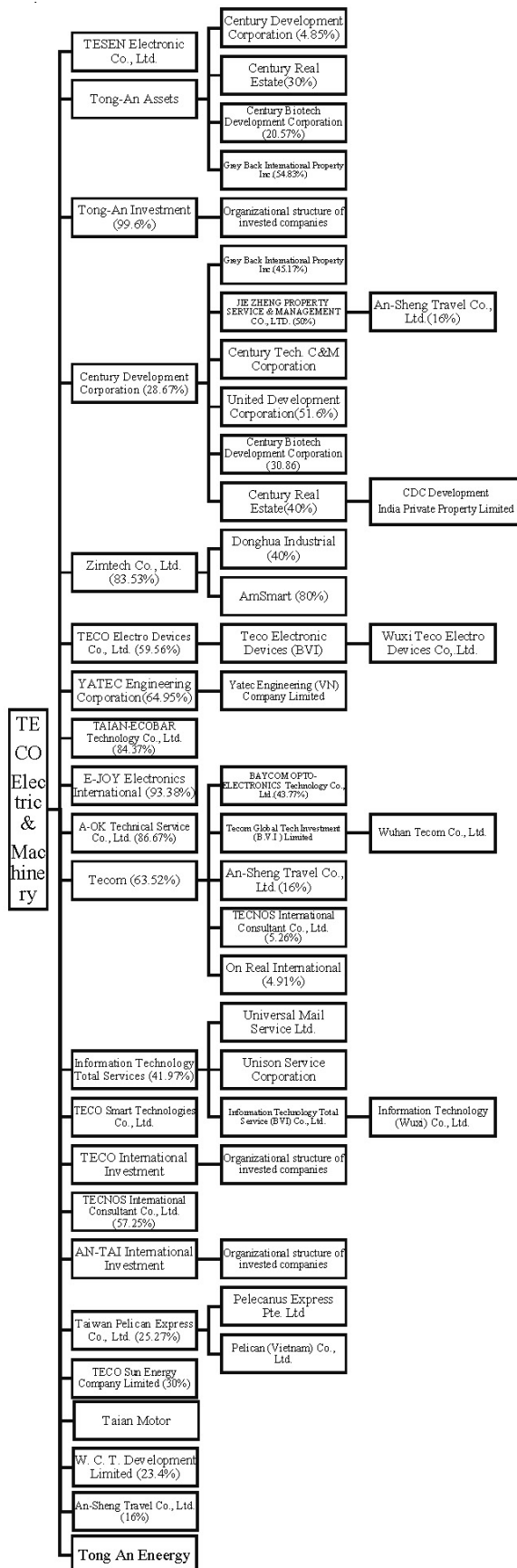
8.1 Summary of Affiliated Companies

8.1.1 Chart of Affiliated Companies

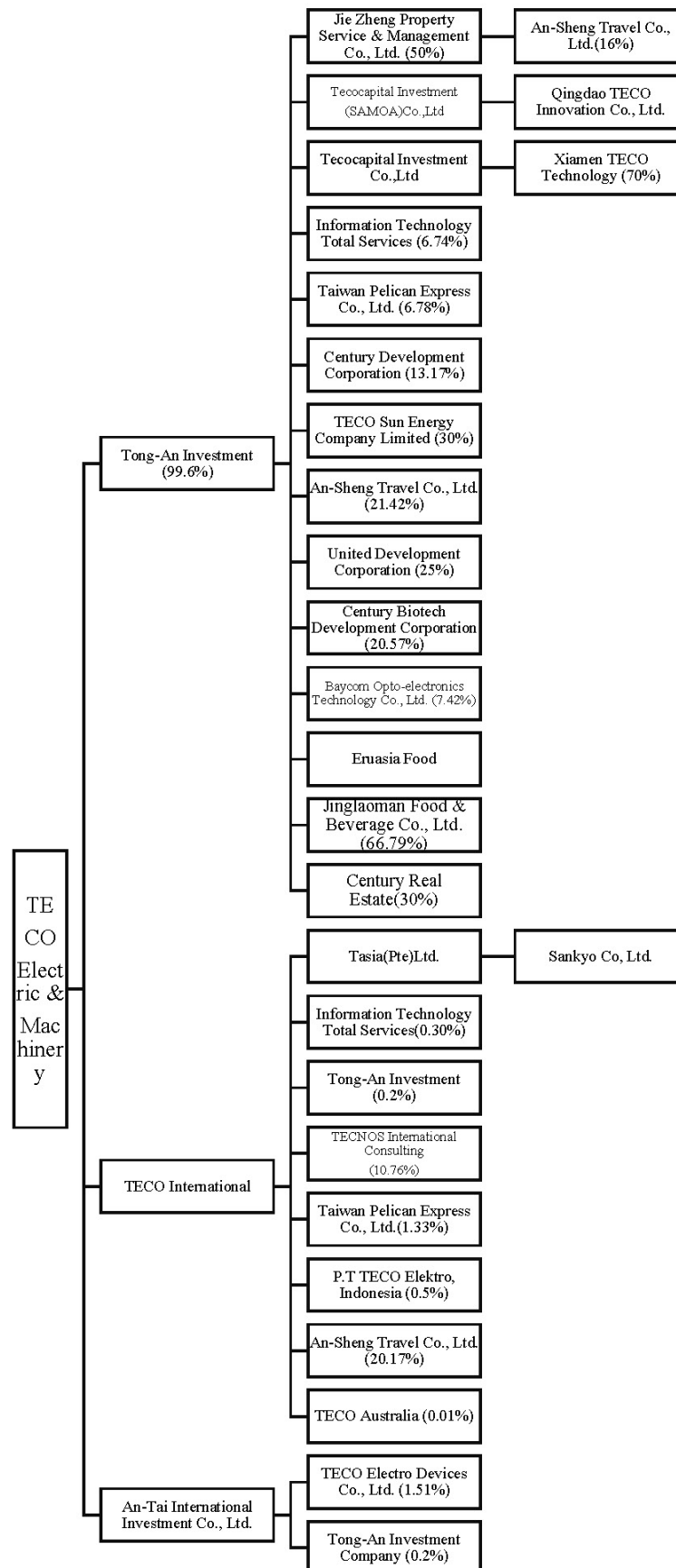
TECO Group
(100% shareholding if not specifically marked specified)



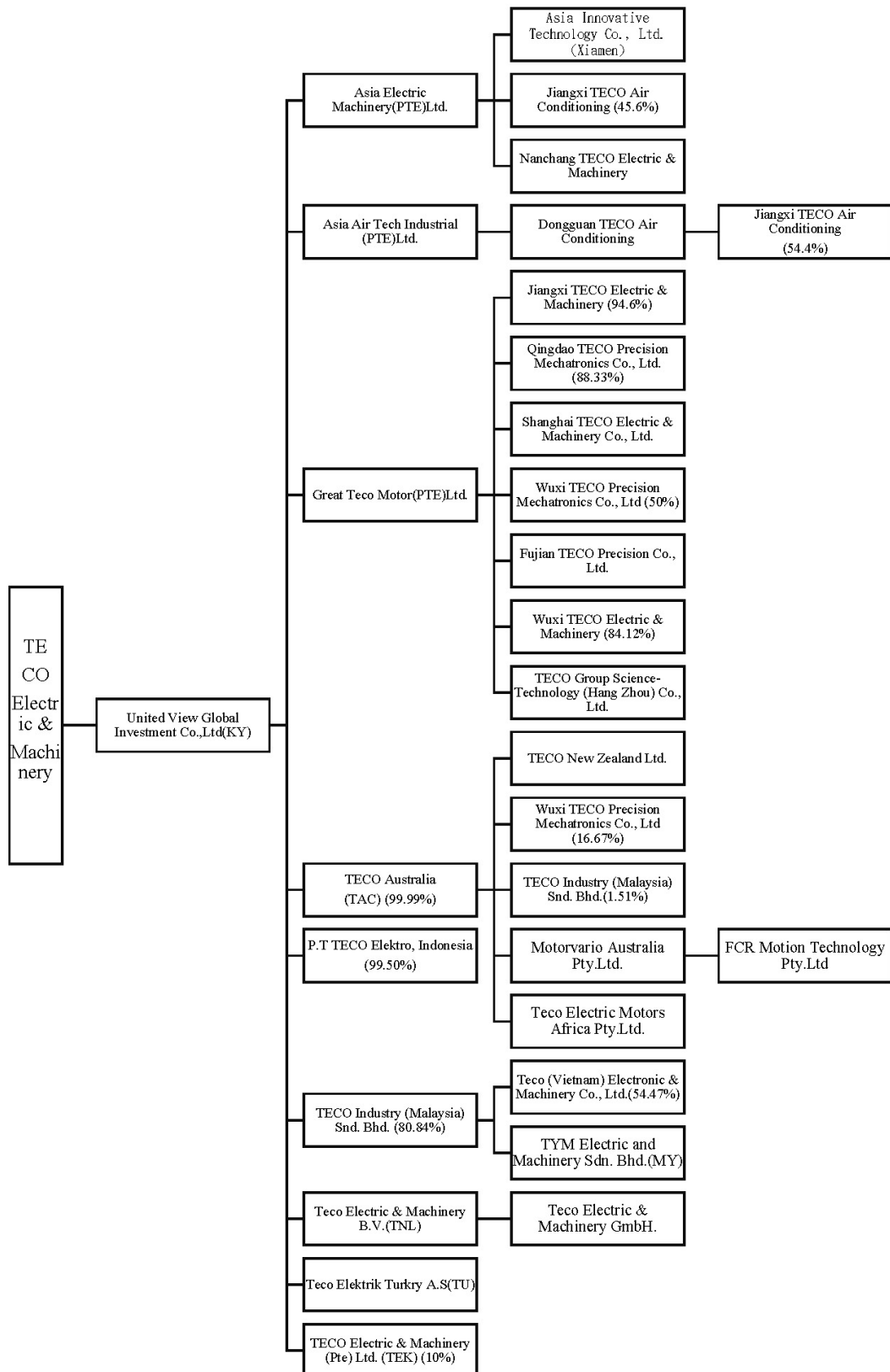
Taiwan Region



Invested companies



UVG Group



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	778,474	Investment Activity
TECO Holding USA Inc.	1995.03	820,172	Investment and Trading in USA
TECO Electric & Machinery (Pte) Ltd. Singapore	1972.09	183,040	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	5,802,343	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	7,229,547	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
Yatec Engineering Corporation	1993.01	120,100	Electric System Development and Service
Taian (Subic) Electric Co., Inc.	1997.03	205,481	Manufacture and Sales of Tools and Equipment
An-Tai International Investment Co., Ltd.	1990.09	373,522	Investment Activity
Micropac (BVI) Worldwide Investment Co., Ltd.	1993.03	457,075	International Trading
Taian-Etacom Technology Co., Ltd.	1999.12	83,000	Manufacture of Bus Way Components
E-Joy International Co., Ltd.	2004.06.25	88,734	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	24,299	Investment Activity
Asia Air Tech Industrial (Pte) Ltd.	1999.06	261,035	Investment Activity
TECO (Dong Guang) Air Conditioning Equipment Co., Ltd.	1999.11.09	310,133	Manufacture of Air Conditioning Equipment
TECO Australia Pty. Ltd.	1993.04	624,900	Sales of Motors and Home Appliance in Australia
TECO New Zealand Ltd.	1983.04	58,401	Sales of Home Appliances
Great Teco Motor Ltd.	2000.01.27	3,409,616	Investment Activity
Wuxi TECO Electric & Machinery Co., Ltd.	2002	1,477,134	Manufacture and Sales of Motors
TECO Industrial (Malaysia) Sdn. Bhd.	1989.06	617,429	Manufacture and Sales of Motors in Malaysia
P.T TECO Elektro, Indonesia	1997.08.14	781,570	Sales of Home Appliances
P.T TECO Multiguna Electro	1983.06	15,008	Investment and Trading Activities
TECO Electronic & Machinery (Thai) Co., Ltd.	1987.04	53,310	Investment and Trading Activities
TECO Westinghouse Motor Company	1988.01	634,622	Sales of Motors in USA
TECO Westinghouse Motor Industrial, Canada	1995.12	25,028	Sales of Motors

Company	Date of Incorporation	Paid-in Capital	Major Business
TECO Electro Devices Co., Ltd.	1998.03	104,721	General Trading and Investment
Wuxi Teco Electro Devices Co., Ltd.	2001.12	121,364	Manufacture and Sales of Stepping Motors
An-Tai International Investment (Singapore) Co., Ltd.	1993.03	507,334	Investment
Tai-An Technology (Wuxi) Co., Ltd.	2000.07	522,811	Manufacture and Sales of Optical Fiber
Asia Electric & Machinery Pte Ltd.	2000.06.05	1,679,376	Holding Company
Jack Property Service & Management Company	2000.04.13	30,250	Mansions Management Services
Nanchang TECO Electric & Machinery Co., Ltd.	2003.11.10	502,957	Manufacture and Sales of Air Conditioning
Sankyo Co, Ltd.	1992.02.14	6,972	Sales of Home Appliances
TECO Electronic & Machinery B.V.	2005.04.18	21,595	Sales of Motors and LCD TV in Europe
STE Marketing Sdn. Bhd.	1987.12	61,697	Investment and Trading
Jiangxi TECO Electric & Machinery Co., Ltd.	2005.06.01	1,476,657	Manufacture and Sales of Motors
Qingdao TECO Precision Mechatronics Co., Ltd	2006.12	825,455	Manufacture and Sales of Compressors
TECO Westinghouse Motor Company S.A. de C.V	2005.12	56,790	Manufacture and Sales of Motors
TYM Electric & Machinery Sdn. Bhd.	2006.06	3,498	Manufacture and Sales of Motors
TECO (Vietnam) Electric & Machinery Company	2005.04	372,796	Manufacture and Sales of Motors
TECO Technology (Vietnam) Co., Ltd.	2006.08	454,482	Manufacture and Sales of Tools and Equipment
Asia Innovative Technology (Xiamen) Co., Ltd.	2006.12	822,193	R&D and Manufacture of LCD TV
TECO Group Science-Technology (Hang Zhou) Co., Ltd.	2007.06	10,015	R&D of Electronic Devices and System Automation
Jiangxi TECO Air Conditioning Equipment Co., Ltd.	2010.02.05	163,391	Sales of Air Conditioners
Fujian TECO Precision Co., Ltd.	2008.05	370,735	Sales and Production of Motors and Generators
Teco Appliance (HK) Co., Ltd.	1991.02.12	5,906	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
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	47,324	Investment Activities
Information Technology (Wuxi) Co., Ltd.	2004.08	10,945	Software, Data Processing and Information Provision
GreyBack International Property Inc.	2007.02.28	30,713	Real Estate Business
Taian-Jaya Electric Sdn. Bhd.	1988.06.07	6,995	Manufacture and Sales of Motors
TECO CAPITAL INC.	2008.04.15	20,211	Investment Activities
TECO (PHILIPPINES) 3C & APPLIANCES, INC.	2008.08.22	30,046	Sales of Home Appliance and Air Conditioners
Pelecanus Express Pte, Ltd	2010.04.19	25,366	Investment Activities
Qingdao TECO Innovation Co., Ltd.	2010.08.11	57,679	Merchant and Management Service for Science Park's Development and Operation

Company	Date of Incorporation	Paid-in Capital	Major Business
TECO Capital Investment (SAMOA) Co., Ltd.	2011.01.18	61,420	Holding Company
Technical Information International Co., Ltd.	2008.07.28	44,080	Development & Sales of Software
Shanghai TECO Electric & Machinery Co., Ltd.	2012.08.04	60,083	Agency of Machinery and Electric Products
TECO Electric and Machinery GmbH.	2012.09.01	818	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	7,297	Internet Telecommunication Technology Development 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	10,174	Franchise of Home Appliance and FA/GE Product
Jiangxi TECO Westinghouse Motor Coil Co., Ltd	2014.07.24	108,754	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	589,287	Manufacture and Sales of motor and gear reducer
Motovario S.A(Spain)	2001.2.14	21,625	Manufacture and Sales of motor and gear reducer
Motovario Ltd	1999.3.26	13,513	Manufacture and Sales of motor and gear reducer
Motovario GMBH	1997.2.28	10,540	Manufacture and Sales of motor and gear reducer
Motovario Corp.	1997.10.06	9,520	Manufacture and Sales of motor and gear reducer
Motovario S.A(France)	1995.2.09	10,578	Manufacture and Sales of motor and gear reducer
Motovario Int. Trading Co. Ltd	2004.7.22	7,297	Manufacture and Sales of motor and gear reducer
Motovario Gear Solution Private Ltd	2011.7.15	4,618	Manufacture and Sales of motor and gear reducer
Eagle Holding Co.	2010.8	3,413,435	Holding Company
TECO MOTOR B.V.	2015.7	3,272,327	Holding Company
Wuxi TECO Precision Mechatronics Co., Ltd	2015.7	867,547	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	52,500	Construction industry
United Development Corporation	1994.3.8	118,285	Consultant service for industrial park and land investment
Teco Industrial System Private Limited	2012.6	5,501	Sales and marketing for motors in India
Teco Electrical Industries Private Limited	2016.6	24,011	Dealer for motors
Yatec Engineering (VN) Company Limited	2016.12	18,548	Design and maintenance of electrical systems
Century Real Estate (International) Pte. Ltd.	2017.8	933,584	Investment in other regions
CDC Development India Private	2017.10	746,188	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

Company	Date of Incorporation	Paid-in Capital	Major Business
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	394,878	Holding company
Euro Asia Mado	2018.12.3	22,500	Chain food industry
Jing Lao Man Restaurant	2012.7.24	34,000	Chain food industry
Motovario Australia Pty. Ltd.	2018.2	0	Various Investment
Teco Electric Motors Africa Pty. Ltd.	2017.11	0	Agent of motor and home appliance
F C R Motion Technology Pty. Ltd.	2018.2	54,512	Sales of motor and home appliance
Temico Motor India Private Limited	2020.2.21	343,542	Manufacture and Sales of motor
PELICAN EXPRESS (VIETNAM) COMPANY LIMITED	2020.5.19	6,024	Storage Services
Temico India Private Limited	2018.9.20	0	Manufacture and Sales of motor
Tong An Energy	2022.1.11	50,000	Energy Technology Service
TECO Green Power Company Limited	2022.7.18	295,139	Energy Technology Service

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	1,036,977	503,367	533,610	2,001,332	150,058	145,919	18.43
Tecnos International Consultant Co., Ltd.	120,878	438,208	259,916	178,292	2,176,231	42,550	34,228	2.83
TECO International Investment Co., Ltd.	778,474	1,672,318	31,718	1,640,600	75,270	67,429	68,009	0.87
TECO Electro Devices Co., Ltd.	172,148	668,485	300,829	367,656	664,073	38,224	44,144	2.56
TECO Electric & Machinery (Pte) Ltd. Singapore	183,040	4,336,182	353,236	3,982,946	1,592,089	112,439	135,694	16.96
Information Technology Total Services Co., Ltd.	273,234	885,611	332,034	553,577	1,330,274	51,647	55,640	2.04
UVG Investment Co., Ltd.	7,229,547	8,777,650	482,619	8,295,031	0	-49	661,435	2.81
Tong-An Investment Co., Ltd.	5,802,343	21,026,262	1,099,070	19,927,192	-530,771	-567,508	-551,537	-0.95
TECO Holding USA Inc.	820,172	13,962,810	2,248,547	11,714,263	9,268,707	380,840	371,139	13.90
TECO Westinghouse Motor Company	634,622	8,843,915	1,938,605	6,905,310	7,746,052	238,646	241,141	11.67
An-Tai International Investment Co., Ltd.	373,522	711,481	20,168	691,313	28,809	27,751	27,772	0.74
Taian (Subic) Electric Co., Inc	205,481	369,994	88,291	281,703	376,558	18,650	13,931	2.08
Taian-Etacom Technology Co., Ltd.	83,000	676,554	484,353	192,201	1,002,412	66,134	52,471	6.32
Tasia (PTE) Ltd.	24,299	1,032	456	576	0	-140	-140	-0.13
Teco Electronic & Machinery (THAI) Co., Ltd.	53,310	229,300	40,659	188,641	184,536	5,902	5,963	0.10
TECO Australia Pty. Ltd.	624,900	2,005,637	588,947	1,416,690	2,006,395	66,729	51,102	1.70
TECO Industrial Malaysia Sdn. Bhd.	617,429	1,113,613	386,044	727,569	1,276,016	-67,509	-31,661	-0.36
P.T TECO Elektro, Indonesia	781,570	463,995	3,794	460,201	10,478	407	28	0.00
Asia Air Tech Industrial (PTE) Ltd.	261,035	137,385	7,314	130,071	0	-227	4,950	0.58
TECO Westinghouse Motor Industrial, Canada	25,028	2,356,372	417,129	1,939,243	1,769,172	143,071	136,226	123.39
Jiangxi TECO Westinghouse Motor Coil Co., Ltd	108,754	173,340	52,508	120,832	171,069	6,367	8,326	N.A.
Teco Westinghouse Colombia S.A.S.	0	0	3,806,597	-3,806,597	0	0	0	N.A.
An-Tai International Investment (Singapore) Co., Ltd.	507,334	528,979	489	528,490	0	230,511	207,893	9.38
TECO (Dong Guang) Air Conditioning Equipment Co., Ltd.	310,133	145,051	8,756	136,295	10,733	-4,942	4,047	N.A.
Micropac (BVI) Worldwide	457,075	1,228,385	0	1,228,385	0	-93	79,648	5.35
Taian Technology (Wuxi) Co., Ltd	522,811	1,669,411	629,123	1,040,288	1,874,884	27,662	79,790	N.A.
Great Teco Motor Ltd.	3,409,616	4,686,833	246	4,686,587	0	-169	604,791	5.45
Jack Property Service & Management Company	30,250	271,314	116,961	154,353	460,959	43,726	35,962	11.89
Universal Mail Service Ltd.	13,000	33,698	12,620	21,078	42,754	6,026	4,687	3.61
Information Technology Total Service (BVI) Co., Ltd.	47,324	76,632	85	76,547	0	-67	2,504	1.62
Tong-An Assets Management & Development	3,954,153	6,643,959	1,345,797	5,298,162	213,377	64,949	81,555	0.21

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS (NT\$)
Co., Ltd.								
P.T. TECO Multiguna Electro	15,008	448,827	46,623	402,204	529,863	72,651	61,294	0.01
Yatec Engineering Corporation	120,100	657,452	448,990	208,462	554,886	7,594	11,317	0.94
TECO New Zealand Limited	58,401	85,519	85,636	-117	103,964	11,050	11,730	3.91
Asia Electric & Machinery	1,679,376	328,627	441	328,186	0	-100	17,104	0.31
Wuxi TECO Electric & Machinery Co., Ltd	1,477,134	4,830,449	2,485,358	2,345,091	5,937,559	579,367	490,683	N.A.
Tesen Electric & Machinery Co., Ltd.	200,000	396,822	179,534	217,288	2,725,595	11,496	7,899	0.39
Teco Electronic Devices Co., Ltd.	104,721	245,541	0	245,541	0	0	21,358	6.26
Wuxi Teco Electro Devices Co.,Ltd.	121,364	398,238	236,341	161,897	386,490	12,752	21,358	N.A.
Unison Service Corporation	17,000	54,255	29,875	24,380	104,408	11,543	9,336	5.49
Taian Electric Co., Ltd.	1,000	774	0	774	0	-12	-11	-0.11
E-Joy International Co., Ltd.	88,734	271,538	153,122	118,416	574,459	24,815	27,854	3.14
A-Ok Technical Co., Ltd.	22,500	178,450	114,655	63,795	410,973	23,371	20,064	8.92
Nanchang TECO Electric & Machinery Co., Ltd.	502,957	12,828	31,548	-18,720	5,248	1,991	7,642	N.A.
Sankyo Co., Ltd.	6,972	111,673	182,207	-70,534	348,832	25,299	22,326	0.74
TECO Electric & Machinery B.V.	21,595	123,489	507,931	-384,442	230,028	12,420	11,001	16.67
TECO Electric & Machinery Sdn.Bhd.	61,697	423,518	55,494	368,024	347,436	21,100	21,705	2.46
Jiangxi TECO Electric & Machinery Co., Ltd.	1,476,657	1,912,413	311,786	1,600,627	917,017	96,958	102,479	N.A.
Qingdao TECO Precision Mechatronics Co., Ltd	825,455	470,575	187,051	283,524	460,768	-17,756	3,860	N.A.
Teco Westinghouse Motor Company S. A. de C. V.	56,790	250,312	206,294	44,018	337,795	28,096	17,166	N.A.
TYM Electric & Machinery Sdn. Bhd.	3,498	153,221	27,366	125,855	159,728	12,108	10,713	22.10
Teco (Vietnam) Electronic & Machinery Company Ltd.	372,796	620,054	419,052	201,002	1,096,315	-47,842	-53,980	N.A.
TECO Technology (Vietnam) Co., Ltd.	454,482	647,578	302,542	345,036	406,903	-657	-8,903	N.A.
Asia Innovative Technology (Xiamen) Co., Ltd.	822,193	297,716	18,002	279,714	46,088	627	2,246	N.A.
Fujian TECO Precision Co., Ltd.	370,735	115,199	53,117	62,082	0	-6,323	-1,831	N.A.
Teco Appliance (HK) Co., Ltd.	5,906	2,618	0	2,618	0	0	-170	-0.11
An-Sheng Travel Co., Ltd.	30,000	11,180	778	10,402	8,217	1,251	1,073	0.36
Information Technology (Wuxi) Co., Ltd.	10,945	43,887	9,058	34,829	52,553	4,972	6,185	N.A.
Information Technology Total Service (Xiamen) Ltd.	0	0	0	0	40	750	762	N.A.
GreyBack International Property Inc.	30,713	35,600	885	34,715	0	-35	-22	-0.02
Teco Group Science-Technology (Hang Zhou) Co., Ltd.	10,015	26,056	2,813	23,243	31,197	1,379	1,483	N.A.
Taian-Jaya Electric Sdn. Bhd.	6,995	99,694	36,213	63,481	84,038	6,803	5,948	5.95
TECO CAPITAL INC.	20,211	10,777	0	10,777	0	0	632	0.96
TECO (PHILIPPINES) 3C & APPLIANCES,	30,046	57,648	61,931	-4,283	40,072	1,517	457	0.47

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS (NT\$)
INC.								
Taiwan Pelican Express Co., Ltd.	954,670	4,567,297	2,368,989	2,198,308	4,483,137	204,323	176,442	1.85
Jiangxi TECO Air Conditioning Equipment Co., Ltd.	163,391	266,464	126,627	139,837	387,283	8,118	12,748	N.A.
Pelecanus Express Pte. Ltd.	25,366	0	92	-92	0	-508	-508	-0.62
Qingdao TECO Innovation Co., Ltd.	57,679	65,243	26,175	39,068	0	-5,599	-1,906	N.A.
TECOCAPITAL INVESTMENT (SAMOA) Co., Ltd.	61,420	38,465	0	38,465	0	0	-1,822	-0.91
Technical Information International Co., Ltd.	44,080	15,834	1,482	14,352	15,042	928	941	N.A.
Shanghai TECO Electric & Machinery Co., Ltd.	60,083	1,759,755	1,502,603	257,152	5,969,478	162,763	128,322	N.A.
TECO Electric and Machinery GmbH.	818	5,607	612	4,995	19,795	76	38	1.53
Tecom Co., Ltd.	945,998	1,892,946	1,417,926	475,020	1,010,890	20,660	32,592	0.34
Baycom Opto-Electronics Technology Co., Ltd.	335,913	561,881	86,675	475,206	330,601	36,395	41,280	1.23
Tecom Global Tech Investment (B.V.I.) Limited	33,156	-126	0	-126	0	0	1,025	1.03
Wuhan Tecom Co., Ltd.	7,297	35,030	35,233	-203	84,609	1,762	1,025	N.A.
Qingdao Jie Zheng Property Service & Management Company	0	0	0	0	0	486	486	N.A.
Donghua Enterprise Co., Ltd.	18,000	223,930	127,468	96,462	397,228	70,005	56,150	31.19
Teco Elektrik Turkey A.S	10,174	7,442	98	7,344	1,926	-1,857	973	N.A.
Motovario S.p.A.	589,287	7,253,086	3,743,519	3,509,567	5,212,557	482,372	297,970	16.54
Motovario SAU(Spain)	21,625	238,420	200,540	37,880	482,883	11,142	10,910	N.A.
Motovario Ltd	13,513	145,049	133,420	11,629	315,745	370	-6,406	N.A.
Motovario GMBH	10,540	79,597	119,253	-39,656	191,142	2,909	2,394	N.A.
Motovario Corp.	9,520	769,967	113,647	656,320	746,170	141,540	107,041	N.A.
Motovario S.A(France)	10,578	143,543	134,937	8,605	246,979	3,297	2,763	N.A.
Motovario Int. Trading Co. Ltd	7,297	68,861	30,760	38,101	105,638	10,918	12,162	N.A.
Motovario Gear Solution Private Ltd	4,618	168,031	285,757	-117,726	164,740	2,850	-13,461	N.A.
Eagle Holding Co.	3,413,435	4,805,273	0	4,805,273	0	0	308,783	N.A.
TECO MOTOR B.V.	3,272,327	4,805,052	0	4,805,052	0	0	308,783	N.A.
Wuxi TECO Precision Mechatronics Co., Ltd	867,547	1,122,687	270,531	852,156	985,391	15,066	20,456	N.A.
Century Development Corporation	3,509,055	6,514,894	2,060,357	4,454,537	801,596	421,615	350,993	1.00
Century Tech. C&M Corporation	52,500	163,980	114,811	49,169	76,797	-52	16,119	7.16
United Development Corporation	118,285	210,158	36,241	173,917	6,046	806	11,758	0.99
Teco Industrial System Private Limited	5,501	5,479	7,546	-2,067	12,228	-567	-664	-0.04
Teco Electrical Industries Private Limited	24,011	39,417	45,972	-6,555	98,258	-1,669	1,082	0.02
Yatec Engineering (VN) Company Limited	18,548	73,871	55,333	18,538	117,952	1,831	1,540	N.A.
Century Real Estate (International) Pte. Ltd.	933,584	675,589	92	675,497	0	-90	-5,055	-0.17
CDC Development India Private	746,188	719,618	59,532	660,086	7,959	-2,003	-4,974	0.00
Century Biotech Development Corporation	2,500,000	4,711,369	2,273,059	2,438,310	0	-10,686	-11,601	-0.05

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS (NT\$)
Teco Sun Energy	70,000	207,033	131,188	75,845	21,623	13,671	4,533	0.65
Am Smart Technology	20,000	12,035	7,695	4,340	28,574	-3,491	-3,224	-1.61
Temico International Pte.Ltd.	394,878	392,229	223	392,006	0	0	-203	-0.02
TECO EV Philippines Corporation	0	0	12,250	-12,250	3	-854	-1,043	N.A.
Euro Asia MADO	22,500	14,962	1,945	13,017	4,553	-4,662	-4,347	-1.93
Jing Lao Man Restaurant	34,000	18,183	45,917	-27,734	77,864	-14,369	-14,233	-4.19
Ejoy Australia Pty. Ltd.	0	0	0	0	20,615	-8,569	-8,569	N.A.
Motovario Australia Pty. Ltd.	0	0	0	0	0	0	0	N.A.
Teco Electric Motors Africa Pty. Ltd.	0	753	0	753	0	-71	-71	N.A.
F C R Motion Technology Pty. Ltd.	54,512	219,819	86,049	133,770	318,866	56,939	41,250	15.76
Temico Motor India Private Limited	343,542	330,600	11,759	318,841	8,719	638	-9,131	N.A.
Pelican Express (Vietnam) Company Limited	6,024	10,263	3,728	6,535	27,544	380	201	N.A.
Temico India Private Limited	0	0	0	0	0	0	0	N.A.
Tong An Energy	50,000	96,319	46,627	49,692	0	-329	-308	-0.06
TECO Green Power Company Limited	295,139	294,990	50	294,940	0	-514	-199	-0.01

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.	5,802,343	Working Capital	99.60%	Successive Acquisition	19,540,052Shares \$232,969	-	-	19,540,052Shares \$830,452	None	-	-
An Tai International Investment Co., Ltd.	373,522	Working Capital	100.00%	Successive Acquisition	2,825,748Shares \$87,870	-	-	2,825,748Shares \$120,094	None	-	-
Donghua Enterprise Co., Ltd.	18,000	Working Capital	0.00%	Successive Acquisition	77,222 shares \$1,685	-	-	77,222 shares \$3,282	None	-	-
Taiwan Pelican Co., Ltd.	954,670	Working Capital	25.27%	Successive Acquisition	7,070,000 shares \$190,147	-	-	7,070,000 shares \$300,475	None	-	-

8.4 In the most recent year and up to the date of publication of the annual report, if any event that has a significant impact on shareholders' equity or securities prices as specified in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act:

None

8.5 Other necessary supplementary explanations

None

TECO ELECTRIC & MACHINERY CO., LTD.

Address: 5F., No. 19-9, San Chong Rd., Nan Kang,
Taipei, Taiwan, R.O.C.
Tel: 886-2-2655-3333