



TECO ELECTRIC & MACHINERY CO., LTD.

2023

Annual Report



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I. Letter to Shareholders



Dear Shareholders,

In 2023, the global economy underwent multiple impacts, including U.S. Fed's interest-hike policy unsettling investment markets, Sino-U.S. AI chip war, Israel-HAMAs war straining geopolitics, and crash of Chinese realty enterprises pressuring the financial market, which, plus slackened end-market demand and adjustment of industrial inventory, putting a damper on global economic growth.

Affected by the adverse factors, Taiwan's investments and exports slackened, with economic growth reaching only 1.31% in 2023, the lowest in 14 years. Despite the sluggish external economic environment, the company still managed to record-high revenue and profits, thanks to the concerted effort of all the employees.

A. Review of 2023 business performance

a. Result from implementation of 2023 strategic development plan

In 2023, the company focused on energy generation and storage, electrification, and regional short-chain in its development.

1. Energy generation and storage: The newly established energy generation and storage department scored NT\$500 million revenue for its first-year operation, with self-built and self-managed PV power exceeding 20 MW in capacity, including the pioneering combination PV power generation and storage facility. The company has accumulated the track record of integrated engineering works for various types of systems, on top of development of EMS modules for optical storage and AFC frequency modulation service and related operating capability.

2. Electrification: Continue pushing e-vehicle powertrain, which has had 80% share on Taiwan's e-bus market and made inroads in the commercial pickup market. In North America, it has grasped several new energy-related businesses, such as prefabricated mobile electric room green transportation, and hydrogen-energy transportation and storage, on top of establishing a North American subsidiary for power-charging pole, to accelerate expanding power-charging pole sales and service, in addition to plan for setup of assembly lines.

3. Regional short chain: Complete establishment of two new plants, in Mexico and India, respectively, and continue pushing supply-chain and process optimization, as well as regional production and sale integration.

Besides, in line with the government's energy policy, the company has focused on the businesses of renewable-energy substation engineering and the contract and establishment of large energy-storage items, garnering NT\$9.7 billion new orders in the year and boosting total orders in hand to NT\$13.1 billion, plus completion of Longtan 60 MW energy-storage engineering works.

In home appliances, the main efforts include adjustment of operating directions, optimization of product mix, development of RAC/CAC product development and revenue growth. To meet the needs of food companies and low-temperature home-delivery logistics firms for fast cooling and freshness preservation, the company has launched variable-frequency freezing and refrigeration unit, as well as multi temperature-layer freezer, so as to boost food security and technology for flexible cooling power adjustment.

In digital transformation, in line with the trend of global supply-chain reshuffling, the company has completed automated TOS/EQS operating system, raised supply-chain response speed, and introduced concerted cloud-end industrial platform, concerted team operation platform, e-form signing and approval, and mobile office, boosting employee productivity. To strengthen information security, the company has collaborated with Deloitte in conducting information-security check and infiltration test, in addition to construction joint information-security protection mechanism with major affiliates worldwide, so as to enhance operating resilience, a performance which has won the acknowledgement of the information-leadership award granted by the Taiwan Institute for Sustainable Energy.

b.R&D results and development of forward-looking products

The company garnered abundant R&D results in 2023, notably 6 items granted in the 32nd Taiwan Excellence Awards. In energy conservation, emission reduction, intelligence, and automation, the company successfully developed multiple forward-looking products, including "e-car SiC driver and high-performance motor powertrain," industrial "E710 next-generation compact inverter," "high-performance high precision digital communication alternating servo driving system," "active magnetic-levitation bearing controller," "high-power density matrix inverter mechatronic system," and "back-type no fuse circuit breaker."

c.2023 financial status, business plan execution result, and profit analysis

1.Consolidated Financial Statements

Unit: NT\$1,000

	2023	2022	Growth rate
Net operating revenue	59,393,661	58,315,216	1.8%
Operating income	6,663,252	5,073,654	31.3%
Current net profit	5,830,061	3,457,667	68.6%

Consolidated revenue advanced 1.8%, thanks mainly to 16.2% growth of smart energy and 2.8% growth of electromechanical products, which, however, offset by revenue decline of air conditioner, home appliances, Tecom, Taiwan Pelican Express. Smart energy's growth is attributed mainly to engineering construction for offshore wind-farm substations and third terminal of International Taoyuan Airport. Growth momentum of electromechanical products derive mainly from North American, which, though, was dampened by sluggish European economy due to the impact of the Russian-Ukraine ware. Revenue of air conditioners and home appliances dropped, due to the higher comparison base of 2022, thanks to the government's program "air conditioner for every classroom." With daily life resuming normal, after the end of the pandemic, home delivery business dropped, dampening the revenue of Taiwan Pelican Express.

Consolidated operating income jumped 31.3%, thanks mainly to the remarkable performance of electromechanical products, benefitted from stable raw-material prices, increased shipment of high-margin products, shipping-fee decline, and devaluation of NT dollar against the greenback. In addition, the company increased its productivity, cut various costs, and controlled expenses adequately, further boosting operating income. Other favorable factors include increased assessed benefits of financial products in non-operating revenue, interest hike, increased interest income from time deposits. Current net profits jumped 68.6%.

2.Individual financial statement

Unit: NT\$1,000

	2023	2022	Growth rate
Net operating revenue	27,206,836	27,229,403	-0.1%
Operating income	2,178,463	1,845,542	18.0%
Current net profit	5,830,061	3,457,667	68.6%

d.Financial strategy and result

With the company's main business being R&D, production, and sale of industrial products, the company has adhered to the principle of stable operation in long-term financial strategy. The company makes precision planning for cash flow and decides adequate financial structure annually, taking into account business plan, capital outlay, working-capital need, and return on equity.

Table 1

Year	Net profit (NT\$100 million)	Net cash flow adequacy ratio %	Current ratio %	Debt ratio %
2019	32.21	126.69	216.55	37.73
2020	35.11	134.73	233.41	36.01
2021	50.13	126.64	213.81	29.98
2022	34.57	117.78	222.11	31.82
2023	59.09	118.73	231.86	32.08

Thanks to its stable cash flow generated by business activities and stable and sustainable operating strategy, Taiwan Ratings granted the company "twA" 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+" since 2015.

In 2024, the company's rating outlook advances from "stable" to "positive," not only highlighting increase of the company's crediting standings but also its fund-raising and price-negotiation ability and flexibility.

B. Brief 2024 business plan

In 2024, the global economy is still ridden with various unfavorable and uncertain factors, including trend of interest hike for curbing inflation, postponing loose policy, lackluster outlook of the Chinese economy, due to realty and local-debt problems, continuation of Russia-Ukraine and Israel-Hamas wars, and Red-Sea shipping crisis. To assure revenue growth, it's necessary to grasp ESG/net zero emission needs, grasp booming green-energy and electrification business opportunities, and deployment in emerging markets.

2024 major business strategy and growth plan:

a. Growth plan for existing businesses

Concerning Green Mechatronic Solution business group, following inauguration in 2023, the Mexican and Indian plants will further improve capacities and supply chain, boosting revenue growth in 2024. Along with the Texas plant, the Mexican plant will exhibit short-chain benefit, extending its reach to Latin America, in addition to supporting growth North American business. Also with short-chain production as its main development axis, the Indian plant will focus on the domestic market, before extending to Southeast Asian and even African market.

As for Intelligence Energy business group, given the trend of explosive growth for AI/cloud-end services, IDC-related engineering business is expected to further grow. In line with the government's renewable-energy policy and Taipower's resilient grid plan, except consolidating market share for offshore wind-power substation engineering works, the group has secured engineering order to SATTOM project, further boosting its engineering and service credential, conducive to winning new bidding projects in the future.

Meanwhile, Air and Intelligent Life business group will continue focusing on provision of all-purpose smart air conditioning and energy management, facilitating ESG carbon-neutrality life. In addition, it will expand commercial air-conditioning products and solutions, optimizing energy-conserving refrigerating and air conditioning system with AI technology and materializing active management via EMS platform, thereby attaining optimization of energy-conserving systems.

b. Strategic development plan

In line with the business vision of "energy conservation, emission reduction, intelligence, and automation," tap ESG-driven business opportunities worldwide and focus on the four main dimensions of green energy, electrification, energy conservation and carbon abatement, and high-potential area, thereby kicking off strategic revenue growth plan.

1. Green energy

- (1) In addition to expanding undertaking of engineering businesses related to wind power, solar power, and storage, introduce key components/parts and system integration technology and take part in carbon-capture and hydrogen filling station pilot plan, thereby strengthening value positioning in new-energy ecological system.
- (2) For power generation and storage business, the company will continue expanding the scale of EPC engineering and building up site operation experience and strengthening the capability for grid integration and demand maneuvering, gradually marching toward the goal of virtual power plant.

2. Electrification

For electric vehicles, the company will tap North American and Indian e-bus/remodel car/engineering vehicle markets, establish regional supply chain, and secure ship e-propelling business opportunities. For industrial electrification, zero in on fuel gas and mining applications, expand industrial mix, and expand systematic integrated sales.

3. Energy conservation and carbon abatement

Significantly raise the revenue share of high-performance electromechanical and air-conditioning products, such as IE4/IE5/SRM/T-HiPro motors and permanent-magnetic variable-frequency screw machines, which, in addition to strengthening corresponding sale of inverters, will target sales to industries with high ESG-related demands, such as steelmaking, petroleum, papermaking and electronics, especially energy-conservation transformative programs in Taiwan, China, and Southeast Asia.

4. Development of high-potential areas

In addition to sale of low-voltage electric products in Mexico and India, taking advantage of local short-chain benefit, plan to tap again overseas HVAC market starting from Indonesia.

c. Sustainable development

The company has won the acknowledgement of international sustainability rating institutions for three consecutive years and covered by DJSI sustainability index and S&P sustainability yearbook, while ranking 1st place in ESG evaluation in electromechanical category in emerging market and 3rd place in global electromechanical industrial section, ahead of major international brands, underscoring the group's long-term effort in sustainable development.

To fulfill the target of "10-year 50% emission reduction" target by 2030, the company will continuously execute emission reductions plans in the four aspects of energy generation, volume reduction, recycling, and substitution, including expansion of rooftop PV power devices in its factory premises worldwide. In 2023, the Italian plant installed a 2.03 MW PV power facility, boosting the group's solar power capacity to 9.66 MW, one step closer to the group's target having renewable energy meeting 30% of power consumption.

In climate governance, implement KPI & ICP quantified performance evaluation, to deepen overall grassroots-level awareness. Take advantage of those mechanisms to help various units identify potential risks and opportunities, prompt them to actively execute carbon-abatement plans, induce low-carbon capital outlay, and strengthen internalization of employees' emission-reduction awareness. In supply-chain management, demand major suppliers in Taiwan to carry out greenhouse-gas inventory, a task completed by over 50 small and medium enterprises under the assistance of TECO in 2023.

In social aspect, in order to encourage encouragement of young generation in R&D on new emission-reduction technologies, the company held "green-brain innovative competition" and "international competition for net-zero emission technologies," passing on the mission of net-zero emission sustainability. 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. With high regard on the benefits of stakeholders, the company has been pushing DEI (diversity, equity, and inclusion), promoting new workplace culture via education and concept, spurring multiple values.

In sum, adhering to the concept of sustainable development, the company will spare no effort pushing ESG and new zero emission, conforming global current to raise international competitiveness, materializing corporate governance, continuous pushing digital transformation, to raise operating efficiency. The goal is forge a sustainable-development working environment and provide customers more quality services and solutions, creating sustainable value for shareholders.

Chairman: Sophia Chiu

President: Thomas Fann

Accounting chief: Tommy Wu

II. Company Profile

Date of Incorporation: June, 1956

Company History

-
- 1956 Established
- 1970 Produced air conditioners and entered the home appliances market
- 1986 Joint venture with Westinghouse Electric to form TECO Westinghouse Motor
- 1989 Founded TECO Industry Malaysia Sdn. Bhd.
- 1990 Founded Toshiba Compressor (Taiwan) Corp. with Toshiba
- 1992 Established Yatec Engineering Corporation with Yaskawa Electric Manufacture Co., Ltd of Japan
- 1995 Acquired Westinghouse Motor Co., Ltd (USA)
- 1998 Founded TECO Electro Devices Co., Ltd. for manufacturing of stepping motors
- 1999 Founded TECO (Dong Guan) Air Conditioning Equipment Co., Ltd. for manufacturing and sales of commercial air conditioning
- 2000 Founded Suzhou TECO Electric & Machinery Co., Ltd for the production and distribution of small motors
- 2001 Established Smart Card Division for National Health Insurance IC-card project
- 2002 Founded Wuxi TECO with China Steel, Nippon Steel and Marubeni-Itochu Steel for production and distribution of large motors
- 2003 Wuxi TECO Electric & Machinery Co., Ltd commenced mass production Merged Tai-An Electric Co., Ltd.
- 2004 Exported large-sized LCD TV to Japan Established Jiangxi TECO Electric & Machinery Co., Ltd.
- 2005 Founded Yaskawa TECO Motor Engineering Corp. to expand to Japanese market Won bid of orange/blue line extension projects of TRTS project
- 2006 Strategic alliance with CTC to set up the first Wind Power Project in Texas, USA
Founded TECO (Vietnam) Electric & Machinery Co., Ltd.
Founded TECO Electric & Machinery (Chin-Tao) Co., Ltd. to manufacture compressors
- 2007 Joint venture with South Korea's Finetec Century in setting up a compressor manufacturing facility in Qingdao, China Launched into Wind-Power Generation; introduce a 2MW Wind-Power generator
Set up Asia Innovative Technology (Xiamen) to produce LCD monitors
Announced the "TECO Go Eco" declaration to join the cause of reducing carbon emissions
- 2008 Founded Fujian TECO Precision Co., Ltd.
Asia Innovative Technology Co., Ltd. (Xiamen) commenced operation
TECO Electric & Machinery (Qingdao) Co., Ltd. commenced production
- 2009 Completion of TECO Mexico plant
Inauguration of Qingdao TECO Century
Inauguration of Tianjin operating center
- 2010 Inauguration of Fujian Teco Precision Co., Ltd.
Rollout of TECO's first 2MW wind-power turbine
Inauguration of TECO Sichuan Trading Co., Ltd.
- 2011 Formal operation of TECO's large-scale 2MW wind turbine
Completion the new plant of Tai-An Technology (Wuxi) Co., Ltd.
Inauguration the new plant of TECO Middle East (TME)
- 2012 Gained corporate-citizen award granted by Common Wealth magazine
Announced whole series electric vehicle motor
TECO's 2MW wind-power turbine got golden medal of Taiwan Excellence Awards
- 2013 Grand opening of TECO's Turkey branch
Winning the "Award of Corporate Citizen" granted by Commonwealth magazine for the second time
Formation of strategic alliance with Kuenling Machinery Refrigerating Co., Ltd.
- 2014 Social harmony award & Champion for the category of big-enterprise technology at Taiwan Corporate Sustainability Awards(TCSA)
"Award of Corporate Citizen" granted by Commonwealth magazine for the third consecutive year
Nation's foremost electric-machinery manufacturer, according to the study on the Top 2,000 enterprises conducted by the Commonwealth magazine
- 2015 Acquired Motovario S.p.A, extending the operation from motors to power transmission system, and facilitating expansion of TECO's operation into Europe
Erected a joint venture with China Steel Machinery, aiming at offshore wind turbine market
"Award of Corporate Citizen" granted by Commonwealth magazine for the fourth consecutive year
Acquired top 5% of Corporate Governance Evaluation fot the first consecutive year
Nation's foremost electric-machinery manufacturer, according to the study on the Top 2,000 enterprises conducted by the Commonwealth magazine

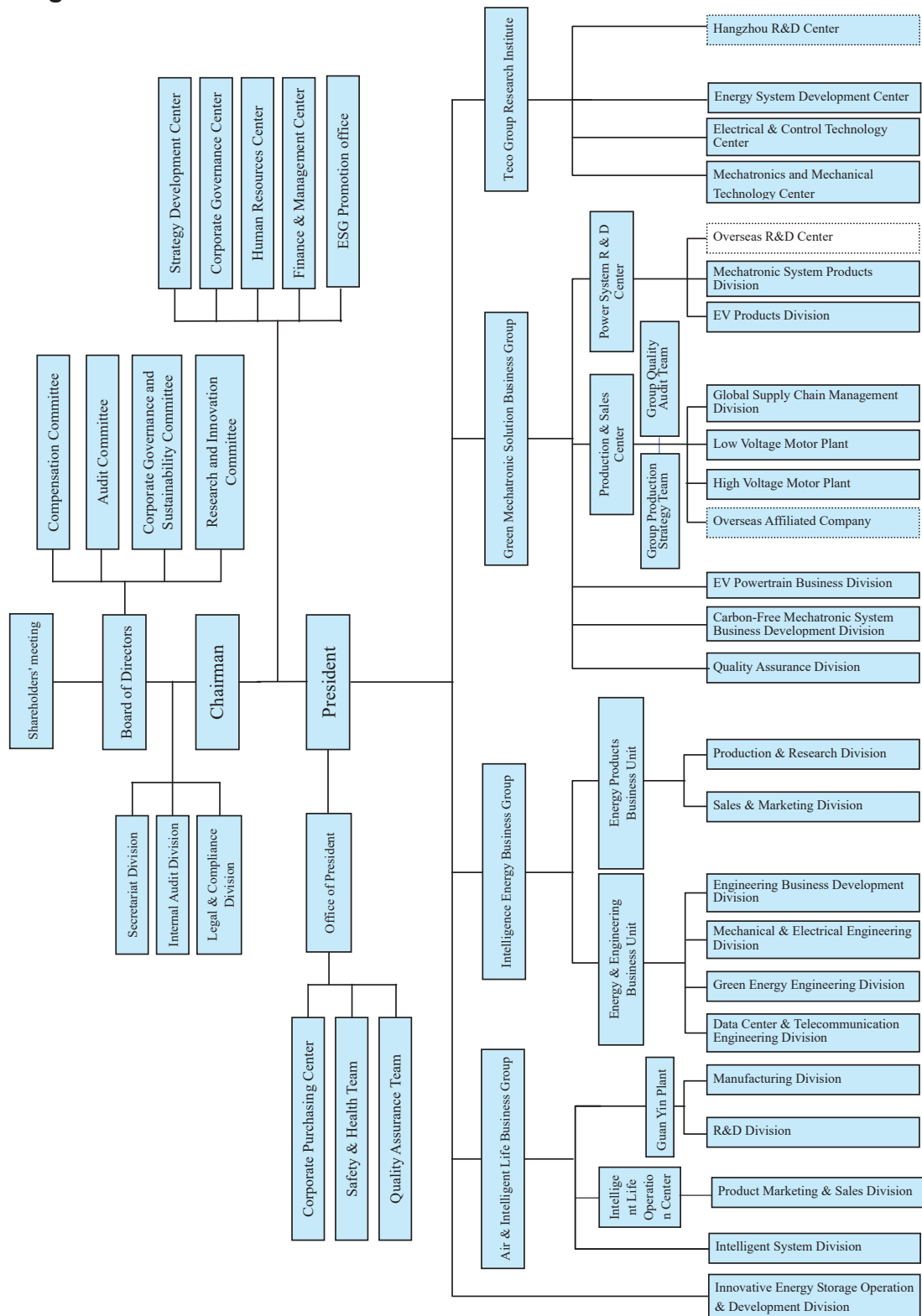
- 2016 The diecasting center in Wuxi was opened with certification of LEED
The automatic product center for motor stator was erected
TECO's 60 Anniversary, keeps moving forward to intelligent automation
Social harmony award & Champion for the category of big-enterprise technology at Taiwan Corporate Sustainability Awards(TCSA) for the third consecutive year
Acquired top 5% of Corporate Governance Evaluation 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
- 2023 The high-efficiency low-voltage motor plant in Mexico was completed and operational.
The high-efficiency low-voltage motor plant in India was completed and operational.
Won the bid of Taipower's turnkey STATCOM project of Zhanguo Boosting Station and Yongxing Switching Station.
The DMIT power system was adopted by the Danan electric bus fleet.
Acquired 100% equity of TaiPeng Energy to seize the solar plus storage market.
Selected for the Dow Jones Sustainability Index/ S&P Global Sustainability Yearbook for four consecutive years.
Won the Taiwan Corporate Sustainability Award for ten consecutive years.
Recognized as the most outstanding company in the "Industrial Category" in Taiwan's market in the Asia Outstanding Company Survey.
Rated AA by MSCI, ranking the top 15% among global peers.
The UVC clean module won the 2023 Muse Design Gold Award in the United States.
Introduced the industry's first SiC high-power direct-drive motor driver for electric vehicles.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Business Unit	Operations
Green Mechatronic Solution	Manufacturing and sale of single-phase motor, EV motor, permanent-magnet motor, three-phase motor, steel casting, high-performance energy-conserving motor, variable-frequency motor, direct-current motor, inverter, programmable controller, and servo controller.
Intelligence Energy	<ul style="list-style-type: none"> • Electromechanical engineering (project, management, design, procurement, construction, and maintenance and repair), including setup of IDC information equipment room, renewable energy (including offshore wind power, PV power) and energy storage system, micro-grid, general development program, civil engineering and transportation engineering, medical biotech and plant • Electric equipment (switchboard, generator, power-distribution devices, power supply and distribution plan, design, and construction) • Electric equipment (switchboard, generator, power-distribution devices, power supply and distribution plan, design, and construction) • Equipment products (green energy market, PV power, storage, charging MCCB/SPD/Fuse, Taipower market) • 161/69 KV GIS, 15KW elevated circuit switch, low-voltage streetlamp switch, 22.8 KV fuse chain switch, house/factory market-electric magnetic switch, no fuse circuit breaker, communications meter, biomass/diesel fuel generator, outdoor PCS energy storage system.
Air and Intelligent Life	Household air conditioners, refrigerator, washing machine, clothes dryer, LCD display, home appliance, seasonal home appliances, beauty home appliances, kitchen home appliances, low-temperature roller container, freezing machine, variable-frequency water cooling machine tool, assembly air-conditioning box, variable-frequency VRF air-conditioning unit, water-cooling fully closed/semi-closed spiral/centrifugal chiller, cloud-end smart system, commercial air- and water-cooling air conditioner, air-/water-cooled spit air conditioner, air-type water chiller, cloud-end smart system, air-type chiller, air door, industrial dehumidifier, freezing and refrigerating unit, brine machine, agent for domestic and foreign branded home appliances, and manufacturing, assembly, sale and repair and maintenance of various air-conditioning products. Financial payment, medical care, transportation ticket RFID and other smart cards, membership loyalty system, e-invoice platform, integrated warehousing management platform, automated vending machine, meal ordering machine, and personal conference room.
Innovative Energy Storage Operation & Development Division	<ul style="list-style-type: none"> • Energy-storage system EPC engineering integration, operation, and maintenance • Development of PV power station, development and integration of PV power system EPC engineering integration, investment, installation, and operation • Virtual power plant, business development of virtual power plant, continuing increase of PV power station capacity
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

April 10, 2024

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%	2,354,618	0.11%	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%	6,000	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%	46,987,000	2.20%	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	Male 31~40	2021.7.23	3	2021.7.23	0	0%	0	0%	0	0%	0	0%			-	-	-




Title	Nationality/ Companies Registry	Name	Gender Age	Date Elected	Term (Years)	Date First Elected (Note)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	ROC	Song-Ren Fang	Male 51~60	2021.7.23	3	2021.7.23	0	0	0	0	0	0	0	0	PhD of Material Science and Engineering, Stanford University, US	Chairman of Darwin Venture Management Independent Director of Sciencetech Corporation			
Independ ent Director	ROC	Wei-Chi Liu	Male 61~70	2021.7.23	3	2018.6.15	0	0	0	0	0	0	0	0	PhD of Kellogg Graduate School of Management, Northwestern University, USA	Independent Director of Fusheng Precision Co., Ltd and An-Shih Food Co., Ltd.	-	-	-
Independ ent 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 Independ Director of China Airlines Ltd.	-	-	-
Independ ent Director	ROC	Li-Chen Lin	Female 61~70	2021.7.23	3	2021.7.23	0	0	0	0	0	0	0	0	Master of Business Administration, Tulane University Bachelor of Department of Law, National Taipei University	Director of PCL TransAsia Law Offices Director of CPC Corporation, Taiwan	-	-	-
Independ ent Director	ROC	Shiang-Chung Chen	Male 51~60	2021.7.23	3	2021.7.23	0	0	0	0	0	0	0	0	Bachelor of Industrial Engineering, Purdue University	Chairman of Mercuries Data Systems Ltd. Independent Director of Walsin Lihwa Corporation			

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
<p>Name</p> <p>Tung Kuang Investment Co., Ltd. Representative: Chwen-Jy Chiu</p> <p><input checked="" type="checkbox"/> Convener <input checked="" type="checkbox"/> Committee members</p> <p>(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. She once served as vice president in charge of business at the Taipei branch of ABN AMRO.</p> <ul style="list-style-type: none"> Industry experience: Joined the TECO Electric & Machinery management team in 1997, serving as Director of Finance, Deputy General Manager of Home Appliance Division, Vice President, and General Manager. Risk management experience: Serving as a member of the Corporate Governance and Sustainability Committee of the company, which is responsible for overseeing the execution of risk management operations, including "sustainability risk," "compliance risk," and "information security risk." Information security experience: Manages TECO Group's digital transformation and information security strategies. The company obtained ISO/IEC 27001 and CNS 27001:2014 Information Security Management System (ISMS) certification on November 4, 2021, and has joined TWCERT/CC. <p>Chairman Chiu has over 20 years of experience in managing the electromechanical equipment industry and possesses expertise in electric vehicles, smart automation, smart cities, new energy, company leadership, international sales and marketing, and ESG. There are no circumstances pertaining to any of the provisions of Article 30 of the Company Act.</p> <p>Since assuming the role of chairman in 2015, She has been steadily leading the company toward smart manufacturing, low carbon, and digital transformation, aiming to realize the vision of "energy-saving, emission reduction, intelligence, and automation".</p> <p>Ms. Chiu has over 30 years work experience. Since joined the TECO management team in 1997, she served at TECO such stints as director of the financial department, assistant vice president of the home-appliance division, vice president and president. She became TECO's chairman in 2015, putting forth the objective of "energy conservation, emissions reduction, smart application and automation", leading the company in march towards Industry 4.0. Without cases mentioned in various clauses of Article 30 of Company Law.</p>	<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

Criteria	Professional Qualification and Experience	Independent Situation	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Name			
Tong Ho Global Investment Co., Ltd. Representative: Cheng-Tsung Huang	<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> <ul style="list-style-type: none"> Industry experience: Over 30 years of focused management experience in the electromechanical equipment industry, construction engineering industry, and rail engineering industry. <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
Show-Shoun Chou <input checked="" type="checkbox"/> Committee members <input checked="" type="checkbox"/> Committee members	<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> <ul style="list-style-type: none"> Industry experience: Served as Vice Chairman of Adata Technology from 2012 to 2017, focusing on information storage solutions and technology innovation development. Risk management experience: Serving as a member of the company's Corporate Governance and Sustainability Committee, which oversees the execution of risk management operations, including "sustainability risk," "compliance risk," and "information security risk." <p>Mr. Chou has the diverse professional background in electric vehicle, smart city, corporate operating leadership, government policy and other areas. Without cases mentioned in various clauses of Article 30 of Company Law.</p>	<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
Ho Yuan International Investment Co., Ltd. Representative: Pen-Ching Cheng	<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	<p>With the Master of Science in IT and manufacturing from University Warwick, Currently serving as Special Assistant to the ESG Promotion Office at TECO Electric & Machinery, Chairman of Yingyi International Investment Co., Ltd., and Director of Dafu Machinery Co., Ltd. He once worked with HP, China InfoSystems Architect IV and IBM, GBS, Taiwan Business Consultant.</p> <ul style="list-style-type: none"> ● Industry experience: Served as the PC ODM Manager at First International Computer (FIC) from 2005 to 2007, responsible for planning and developing Intel platform desktop computers and digital home devices. ● Risk management experience: Serves as Special Assistant to the ESG Promotion Office at the company, responsible for sustainability transition projects related to climate change, and managing physical and transition risks. ● Information security experience: Served as Process Reengineering (BPR) and Information Systems (PLM) Manager at First International Computer (FIC) from 2002 to 2005, responsible for optimizing R&D processes in areas such as material creation, design changes, and test status monitoring, establishing information management software systems, operating hardware equipment rooms, and implementing information security measures such as firewalls and off-site backups. <p>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.</p>	<p>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.</p>	0
Creative Sensor Inc. Representative: Jack Hou	<p>Mr. Hou earned a bachelor's degree in Political Science from Columbia University and a master's degree from the East Asian Research Institute at Harvard University. He currently serves as Director and Chief Operating Officer of Global Cement Co., Ltd., Director of Li Yong Global Technology Co., Ltd., Director of Man Tong Securities Finance Co., and Director of Zhong Lian Resources Co., Ltd.</p> <ul style="list-style-type: none"> ● Industry experience: Served as Vice President of Global Cement Co., Ltd., responsible for marketing operations in the electronics division. <p>Director Hou has been focused on operational planning related to the cement and electronics technology industries for over 10 years. He possesses expertise in international sales and marketing, smart automation, and new energy, with over a decade of work experience. There are no circumstances pertaining to any of the provisions of Article 30 of the Company Act.</p>	<p>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.</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			
<p>Song-Ren Fang</p> <p> Committee members</p>	<p>Director Fang graduated from the Department of Physics at National Central University and later obtained a Ph.D. in Materials Science and Engineering from Stanford University. He currently serves as Chairman of Daying Management Consulting Co., Ltd., Director of Kuanda Technology Co., Ltd., Director of Dongyou Technology Co., Ltd., and Independent Director of Xinyun Enterprise Co., Ltd.</p> <ul style="list-style-type: none"> Industry experience: Worked in the research and development department of Texas Instruments in 1996, responsible for the development of advanced semiconductor manufacturing technology. He also served as Head of New Business Division and Vice President of North American Sales at United Microelectronics Corporation in 1999, responsible for marketing operation. <p>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.</p>	<p>Director Fang 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>	1
<p>Wei-Chi Liu</p> <p> Convener</p> <p> Committee members</p>	<p>Mr. Liu has Bachelor of Business Administration from National Cheng Kung University, Master and PhD of Business Administration from Northwestern University, US. Currently serving as President of Chung Hua University, Independent Director of Fu Sheng Applied Technologies Co., Ltd., and Independent Director of An Xin Food Service Co., Ltd. Previously served as President of National Sun Yat-sen University, Chairman of Capital Securities Corporation, and Chairman of Taiwan High Speed Rail Corporation.</p> <ul style="list-style-type: none"> Industry experience: Served as Deputy Director of the Humanities and Social Sciences Division of the National Science Council (Executive Yuan) from 1989 to 1990, responsible for raising the standard of basic academic research in the humanities and social sciences and promoting applied research of practical value. Risk management experience: Serves as the convener of the company's Audit Committee, which oversees the execution of risk management operations related to "financial risk" and "internal control risk." <p>Mr. Liu has over 30 years of experience. 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.</p>	<p>Before and during his tenure, and in the two years prior to his appointment, Independent Director Liu met the qualifications stipulated by the Financial Supervisory Commission's "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act. Additionally, as provided by Article 14-3 of the Securities and Exchange Act, Independent Directors have been granted the authority to fully participate in decision-making and express their opinions, enabling them to independently carry out their relevant duties.</p>	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 Hsieh-Hsing Huang A Committee members C Committee members C Committee members	<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. Currently serving as the Managing Partner (Founder) of Sun Yat-Sen United Accounting Firm, Independent Director of China Airlines Co., Ltd., and Consultant to the New Taipei City Real Estate Association. 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).</p> <ul style="list-style-type: none"> ● Risk management experience: Serves as a member of the company's Corporate Governance and Sustainability Committee as well as the Audit Committee, overseeing the execution of risk management operations related to "financial risk," "internal control risk," "sustainability risk," "compliance risk," and "information security risk." <p>Mr. Huang has over 30 years of work experience as a certified CPA. 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>Before and during his tenure, and in the two years prior to his appointment, Independent Director Huang met the qualifications stipulated by the Financial Supervisory Commission's "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act. Additionally, as provided by Article 14-3 of the Securities and Exchange Act, Independent Directors have been granted the authority to fully participate in decision-making and express their opinions, enabling them to independently carry out their relevant duties.</p>	1
Li-Chen Lin G Convener A Committee members C Committee members R Committee members	<p>Graduated from Bachelor of Law from National Taipei University, Ms. Lin obtained Master of Business Administration from Tulane University. Currently serving as the Founder of Anxin Law Firm, Chairman of Chimei Xin Technology Co., Ltd., Director of CPC Corporation, Taiwan, and Independent Director of GIGABYTE Technology Co., Ltd. and Yankee Engineering Co., Ltd.</p> <ul style="list-style-type: none"> ● Industry experience: Obtained qualifications as a lawyer, patent agent, and arbitrator in 1992. His areas of expertise span public works, cross-border mergers and acquisitions, high-tech industries, and intellectual property rights. He has experience in power generation, energy technology services, and green energy sales, as well as power plant construction projects and energy technology services. ● Risk management experience: Serves as the convener of the company's Corporate Governance and Sustainability Committee and a member of the Audit Committee, overseeing the execution of risk management operations related to "financial risk," "internal control risk," "sustainability risk," "compliance risk," and "information security risk." ● Information security experience: Served as Director of Taihua Investment Holdings Co., Ltd. from 2010 to 2014, participating in the decision-making process for the information system updates and information security planning of the holding group; and as Director of CPC Corporation, Taiwan from 2016 to 2022, where he was involved in reviewing information security diagnostics and strengthening defenses in response to hacker attacks against 	<p>Before and during her tenure, and in the two years prior to her appointment, Independent Director Lin met the qualifications stipulated by the Financial Supervisory Commission's "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act. Additionally, as provided by Article 14-3 of the Securities and Exchange Act, Independent Directors have been granted the authority to fully participate in decision-making and express their opinions, enabling them to independently carry out their relevant duties.</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			
	<p>the company.</p> <p>Independent Director Lin has focused on cross-border mergers and acquisitions, joint ventures or technology transfers, and business arbitration for over 30 years. She possesses expertise in smart automation, smart cities, new energy, land development, company leadership, ESG, and law. There are no circumstances pertaining to any of the provisions of Article 30 of the Company.</p>		
Shiang-Chung Chen <input checked="" type="checkbox"/> Committee Convener <input checked="" type="checkbox"/> Committee members <input checked="" type="checkbox"/> Committee members	<p>Graduated from Department of Industrial Engineering, Purdue University, Currently serving as Chairman of San Sun Computer Co., Ltd., Chairman of Wah-Ho Technology Co., Ltd., and Independent Director of Humble House Hospitality Management Consultant Co., Ltd. Previously served as Independent Director of China Man-Made Fiber Corporation, Director of the Taipei Association of Independent Directors, Director of the Foundation for National Policy Research, and Vice Chairman of the Criminal Investigation and Prevention Association of the Republic of China.</p> <ul style="list-style-type: none"> ● Industry experience: Served as Director of the Stainless Steel Business Group at China Man-Made Fiber Corporation from 1993 to 2004, responsible for managing production and sales operations in the stainless steel business. ● Risk management experience: Serves as a member of the company's Corporate Governance and Sustainability Committee as well as the Audit Committee, overseeing the execution of risk management operations related to "financial risk," "internal control risk," "sustainability risk," "compliance risk," and "information security risk". <p>Independent Director Chen has focused on the information technology industry for over 20 years, with extensive experience in managing information industry systems, platform development, and integration engineering projects. He possesses expertise in smart automation, new energy, company leadership, and ESG. There are no circumstances pertaining to any of the provisions of Article 30 of the Company 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

A. 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:

1. Basic condition: gender, age, nationality, race and culture, etc.;
2. 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 (2021.7.23). 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	Government strategy	International Sales and marketing	Financial managem ent	E S G	Supervi sion	Legal	Electromechanical equipment	Electronic technology	Finance and Accounting
Chwen-Jy Chiu	F	61-70	ROC				06152006	-	•	•	•	•		•	•			•				•		
Cheng-Tsung Huang	M	61-70	ROC				05081991	-	•	•	•	•	•	•		•		•				•		
Show-Shoun Chou	M	51-60	ROC				07232021	-	•		•			•	•								•	
Pen-Ching Cheng	M	61-70	ROC				07232021	-							•			•						
Li-Chong Huang	M	51-60	ROC				01012021	-	•	•	•	•						•				•		
Chih-Sheng Hou	M	31-40	ROC				12222022	-		•	•					•							•	
Song-Ren Fang	M	51-60	ROC				07232021	-		•	•			•									•	
Wei-Chi Liu (independent director)	M	61-70	ROC				06152018	3-6 years	•	•	•	•	•	•	•	•	•	•	•					•
Hsieh-Hsing Huang (independent director)	M	61-70	ROC				07232021	<3 years	•				•	•	•			•	•	•				•
Li-Chen Lin (independent director)	F	61-70	ROC				07232021	<3years		•	•	•	•	•				•	•		•		•	
Shiang-Chung Chen (independent director)	M	51-60	ROC				07232021	<3years				•		•				•	•				•	

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).
- (4). 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 26 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	2022.4.7	0	0%	0	0%	0	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	135,143	0%	0	0%	0	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	63,708	0%	0	0%	0	0%	Master of Telecom Engineering, University of Pittsburgh	Chairman of A-Ok Technical Co., Ltd	-	-	-	
Chief Information Security Officer (Note)			2023.8.11												
Business Group President	ROC	Fei-Yuan Kao	2017.1.1	151,767	0.	0	0%	0	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.	0	0%	0	0%	PhD of advanced materials science, the University of Tokyo	-	-	-	-	
Finance Chief	ROC	Victor Hsu	2023.09.25	0	0.	0	0%	0	0%	MBA, University of Illinois, USA	Chairman of P.T. TECO Multiguna Elektro				
Corporate Governance Officer	ROC	Shih-Hsiung Chien	2019.6.1	0	0%	0	0%	0	0%	Master of Business Administration, National Chung Cheng University	-	-	-	-	
Accounting Chief	ROC	Tommy Wu	2020.11.13	4,124	0%	0	0%	0	0%	Master of accounting, National Chengchi University	Supervisor of Tong-An Assets Management & Development Co., Ltd.	-	-	-	

Note : The board has approved Mr. Chi-Tseng Peng, President of the Air and Intelligent Lift Business Group, to concurrently serve as the 'Chief Information Security Officer', effective from August 11, 2023.

3.2.3 Remuneration of Directors, President and Vice President

Remuneration of Directors (Including Independent Directors)

December 31, 2023 / 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	Cash Dividend	Stock Dividend	Cash Dividend	Stock Dividend	
1	Chairman	Tung Kuang Investment Co., Ltd. Representative : Chwen-Jy Chiu	0	0	0	0	Total 92,774	Total 92,774	Total 948	Total 948	Total 93,722 (1.62%)	Total 93,722 (1.62%)	0	0	0	0	0	0	0	0	Total 93,722 (1.62%)	Total 93,722 (1.62%)	None
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	0	0	0	0	Total 9,600	Total 9,600	Total 528	Total 528	Total 10,128 (0.16%)	Total 10,128 (0.16%)	0	0	0	0	0	0	0	0	Total 10,128 (0.16%)	Total 10,128 (0.16%)	None-
9	Independent Director	Hsieh-Hsing Huang																					
10	Independent Director	Li -Chen Lin																					
11	Independent Director	Shiang-Chung Chen																					
Total			0	0	0	0	102,374	102,374	1,476	1,476	103,850 (1.78%)	103,850 (1.78%)	0	0	0	0	0	0	0	0	103,850 (1.78%)	103,850 (1.78%)	None

Note: 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, 2023/ 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 18,604	Total 18,604	Total 969	Total 969	Total 36,754	Total 38,443	Total 19,828	-	Total 19,828	-	Total 76,155 1.31%	Total 77,844 1.34%	Total 496
2	President	Thomas Fann													
3	Business Group President	Sung-Pin Chang													
4	Business Group President	Chi-Tseng Peng													
5	Business Group President	Fei-Yuan Kao													
6	General Director of Teco Group Research Institute	Kun-Yao Ho													
7	Corporate Governance Officer	Shih-Hsiung Chien													
Total			18,604	18,604	969	969	36,754	38,443	19,828	-	19,828	-	76,155	77,844	496

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		
NT\$3,500,000 ~ under NT\$5,000,000	7	7
NT\$5,000,000 ~ under NT\$10,000,000	3.4.5.6	3.4.5.6
NT\$10,000,000 ~ under NT\$15,000,000		
NT\$15,000,000 ~ under NT\$30,000,000	1.2	1.2
NT\$30,000,000 ~ under NT\$50,000,000		
NT\$50,000,000 ~ under NT\$100,000,000		
Over NT\$100,000,000		
Number of Executives	7	7

Note : Shown by code of Executives in the previous table

Employee Bonus to Executive Officers

2023.12.31/ 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 19,828	Total 19,828	0.34%
	President	Thomas Fann				
	Business Group President	Sung-Pin Chang				
	Business Group President	Chi-Tseng Peng				
	Business Group President	Fei-Yuan Kao				
	General Director of Teco Group Research Institute	Kun-Yao Ho				
	Corporate Governance Officer	Shih-Hsiung Chien				

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

Unit: NT\$ thousand

Year	Total remuneration paid to directors, presidents and vice presidents	Ratio of total remuneration paid to directors, presidents and vice presidents to net income (%)
2023	181,692	3.12%
2022	156,200	4.52%

According to Article 26 of the Article of Incorporation, the company will allocate 1% to 10% of the remaining balance after deducting accumulated losses from the profits of the current year as employee remuneration, and will control director remuneration to not exceed 5%. The company's remuneration policy primarily considers the salary level of the position in the industry market, the scope of responsibilities within the company, and the contribution to the company's operational objectives. Directors and senior executives will be compensated reasonably based on the company's overall operational performance, future business risks, individual performance evaluations, and contributions to the company's performance.

In accordance with Article 21 of our Article of Incorporation, director remuneration is determined by the Remuneration Committee based on the level of involvement and value contribution to the company's operations, taking into account domestic and international industry standards, and then submitted to the Board of Directors for approval. According to the "Director Performance Evaluation Method," a director performance evaluation is conducted at the end of each fiscal year. Directors self-assess their performance in six areas, including understanding of company goals and missions, awareness of director responsibilities, level of involvement in company operations, management of internal relationships and communication, professional expertise and continuous learning, and internal controls. The results of the annual "Director Performance Evaluation" will be provided to the Remuneration Committee as a reference for individual director remuneration.

At the end of each quarter, senior managers undergo performance evaluations based on Key Performance Indicators (KPIs). These KPIs include value-added operations, accelerated operations, effective management, and forward-looking planning. Approximately 60% of the evaluation criteria are linked to financial indicators such as revenue, operating profit, net profit, total asset turnover, ROA, ROIC, etc., while the remaining 40% are linked to short, medium, and long-term planning, execution status, and sustainable KPIs. Sustainable KPIs include three important indicators: greenhouse gas carbon emissions, carbon emission intensity, and the health of the green supply chain (assessed through greenhouse gas inventory evaluations). The achievement rate of KPIs is directly linked to the fluctuating bonus payout rate for managers. Additionally, starting from the year 112, the implementation of internal carbon pricing (NT\$1,600 per ton) further affects the profitability of various business units, thereby influencing manager compensation.

Starting from the year 2020, the company established the "TECO Core Shareholding Association," where a portion of the compensation for managers and above is provided in the form of stock trusts, and the purchased company stocks can only be redeemed after a two-year deferral period. Through this mechanism, the company strengthens the link between executive compensation and medium to long-term business performance, enhances employee loyalty and sense of belonging, and shares the results of the company's operations.

The distribution of year-end bonuses is based on a fixed percentage allocation of operating net profit, which requires approval by the Board of Directors when the percentage changes.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 6 meetings of the 26th board of directors were held in 2023, director attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Chairman	Tung Kuang Investment Co., Ltd. Representative : Chwen-Jy, Chiu	6	0	100 %	Should attend 6 times
Managing Director	Tong Ho Global Investment Co., Ltd Representative : Cheng-Tsung Huang	6	0	100%	Should attend 6 times
Managing Director	Show-Shoun Chou	6	0	100%	Should attend 6 times
Managing Director	Ho Yuan International investment Co., Ltd Representative: Pen-Ching Cheng	6	0	100%	Should attend 6 times
Managing Director	Yinge Int. Inv. Co.,Ltd Representative : c	6	0	100%	Should attend 6 times
Managing Director	Creative Sensor Inc. Representative : Jack Hou	5	1	83%	Should attend 6 times
Managing Director	Song-Ren Fang	6	0	100%	Should attend 6 times
Independent Director	Wei-Chi Liu	6	0	100%	Should attend 6 times
Independent Director	Hsieh-Hsing Huang	6	0	100%	Should attend 6 times
Independent Director	Li-Chen Lin	6	0	100%	Should attend 6 times
Independent Director	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 Board of Director, the date of Board meeting, period, contents of the case, opinion of all Independent Director, and company's respond toward Independent Director should be narrated.

- (1) 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.
- (2) Other matters involving objections or expressed reservations by Independent Directors that were recorded or stated in writing that require a resolution by the Board of Directors: None.

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

- (1) 26-15 meeting of the board of directors (March 15, 2023)

Names of director: Cheng-Tsung Huang, Song-Ren Fang, Song-Ren Fang, Jack Hou

[Contents of issue] Proposal to Remove Current Director Non-compete Restrictions

Reasons for Recusal and Participation in Voting:

Directors Huang Cheng-Cung, Fang Sung-Jen, Huang Li-Tsung, and Hou Chih-Yuan, all current directors, are temporarily abstaining from participating in the discussion and voting on this matter due to conflicts of interest.

[Resolution] With the exception of directors Huang Cheng-Cung, Fang Sung-Jen, Huang Li-Tsung, and Hou Chih-Yuan, who are abstaining due to conflicts of interest, the remaining attending directors, after consultation by the chairman, have no objections to the proposal, and it is passed accordingly.

2. 26-18 meeting of the board of directors (Nov. 13, 2023)

Name of director: Chairwoman Chwen-Jy, Chiu, Cheng-Tsung Huang

[Contents of issue] The acquisition of a 6.06% stake in TEK (Singapore) by Tong An Asset Management.

Reasons for Recusal and Participation in Voting:

Chairwoman Chiu Chun-Chih temporarily abstains from participating in the discussion and voting on this matter due to

her positions as Chairman of Tong An Asset Management, SEI Corporation, and TEK. In her absence, independent director Liu Wei-Chi acts as the meeting chair. Director Huang Cheng-Cung, being a director at Tong An Asset Management, also temporarily abstains from participating in the discussion and voting on this matter due to conflicts of interest.

[Resolution]

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.

With the exception of Chairwoman Chiu Chun-Chih and Director Huang Cheng-Cung, who abstain due to conflicts of interest, the proposal is passed without objection after consultation with the remaining attending directors by acting chair, independent director Liu Wei-Chi.

3. 26-19 meeting of the board of directors, Dec. 22, 2023

Name of director: Chairwoman Chwen-Jy, Chiu

Contents of issue: Reasons for Recusal and Participation in Voting: Chairwoman Chiu Chun-Chih abstains from participating in the discussion and voting on this matter due to her positions as Chairman of Motovario S.p.A and TWMC, to avoid conflicts of interest. In her absence, independent director Liu Wei-Chi acts as the meeting chair

Resolution: With the exception of Chairwoman Chiu Chun-Chih, who abstains due to conflicts of interest, the proposal is passed without objection after consultation with the remaining attending directors by acting chair, independent director Liu Wei-Chi.

4. Implementation Status of the Board of Directors Evaluation

Evaluation Frequency	Evaluation Period Evaluation Method	Evaluation Scope	Evaluation Method	Evaluation Content
Annually Implementation Once	2023.1.1~2023.12.31	Individual Board Members	"Board Members (Self) Self-assessment using the 'Board Member Performance Evaluation Self-Assessment Questionnaire'"	The evaluation covers six major aspects, totaling 23 assessment indicators, including individual understanding of the company's goals and missions, awareness of director responsibilities, level of involvement in company operations, internal relationship management and communication, director's professionalism and continuous education, and internal controls.
An external professional independent organization conducts the evaluation once every three years.	2023.1.1~2023.12.5	The operations of the Board of Directors and its functional committees such as the Audit Committee and Compensation Committee	The external professional organization, Taiwan Integrity Management Association, has been commissioned to conduct the performance evaluation of the Board of Directors 2023. 11 "The evaluation is conducted through written review of internal relevant regulations, minutes of the Board meetings, and responses to the evaluation questionnaire by the directors 2023.12.4 & 12.5 Interviews with board members conducted in person	1. Board of Directors' Professional Competence (Composition and Structure of the Board, Director Selection and Continuous Education ° 2. Board of Directors' Decision-Making Effectiveness (Level of Participation in Company Operations, Enhancement of Board Decision-Making Quality) 3. Board of Directors' Attitude towards Sustainable Operation

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 (four 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 2023:

1. Review financial reports

The company's board of directors submitted the 2022 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 12st meeting of the 4rd Audit Committee (2023.3.10), were submitted to the 26th meeting of the 15th Board of Directors (2023.3.15) for resolution and were acknowledged by general shareholders meeting 2023 (2023.5.24).

2. Evaluate the effectiveness of the internal control system

The company judges whether the design and implementation of the internal control system for the year 2022 are effective based on the judgment items on the effectiveness of the internal control system as stipulated in the "Principles for Establishing Internal Control Systems for Public Offering Companies". The company has a total of 50 level units. The internal control self-assessment operation was completed at 2023.3.10. The design and implementation of its internal control system did not reveal any major deficiencies. The internal control self-assessment operation of the subsidiary was completed at 2023.3.15. The design and implementation of its internal control system did not reveal any major deficiencies. Determining the design and implementation of the company's internal control system should be effective. After being reviewed and approved by the 4st meeting of the 12rd Audit Committee (2023.3.10), and submitted to the Resolution of the 26th meeting of the 15th Board of Directors (2023.3.15), the "Internal Control System Statement" for 2022 was issued.

A total of 6 meetings of the 4th Audit Committee were held in 2023, and the Audit Committee attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Convener & Chairman	Ting-Wong Cheng	6	0	100%	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
Member	Hsieh-Hsing Huang	6	0	100%	Should attend 6 times

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

Other items resolved by the audit committee member with support of two thirds of directors but without approval of the auditing committee.: None

Board Meeting	Contents of the case and follow-up	Article 14-5 of Securities and Exchange Act	Other items resolved by the audit committee member with support of two thirds of directors but without approval of the audit committee
26-15 Board Meeting (March 15, 2023)	Our company has completed the internal control self-assessment procedures for the year 2022	√	
	Discussion on Profit Distribution of 2020	√	
	Our company's profit distribution review for the fiscal year 2022	√	
	Audit Committee Decision (March 10, 2023): The proposal was accepted by all members present at the Audit Committee meeting.		
	Company's Response to the Audit Committee's Opinion: The proposal was approved by all attending directors.		
26-16 Board Meeting (May 12, 2023)	Our company's consolidated financial statements for the first quarter of 2023	√	
	Audit Committee Decision (May 9, 2023): The proposal was unanimously approved by all members present at the Audit Committee meeting. However, it was requested after the meeting to provide additional cash flow information related to affiliated companies for the committee's review. (These details were sent to all members via email on May 11, 2023.)		
26-17 Board Meeting (August 11, 2023)	Our company's consolidated financial statements for the second quarter of 2023	√	
	Audit Committee Resolution (August 8, 2023): The proposal was unanimously approved by all members present at the Audit Committee meeting. Company's Response to the Audit Committee's Opinion: The proposal was unanimously approved by all attending directors		
26-18 Board of directors (November 13, 2023)	Our company's consolidated financial statements for the third quarter of 2023	√	
	Audit Committee Resolution (November 10, 2023): The proposal was unanimously approved by all members present at the Audit Committee meeting. Company's Response to the Audit Committee's Opinion: The proposal was unanimously approved by all attending directors		
26-19 Board of directors (December 22, 2023)	Proposed Financial Institution Credit Limit Renewals and Additions for the year 2024	√	
	Loaning for affiliates	√	
	Adjustment of Auditor Remuneration for the Year 2023	√	
	Assessment of the Independence and Suitability of the Company's Signing Auditor	√	
	Our Company's Audit Plan for the Year 2024	√	
	Audit Committee Resolution (December 19, 2023): The proposal was unanimously approved by all members present at the Audit Committee meeting. Company's Response to the Audit Committee's Opinion: The proposal was unanimously approved by all attending directors.		

II. 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 2023 are showed as follows.

Audit Committee	Communication Item	Communication Result
4-12 (March 30, 2023)	Report for 2022 Q4 Internal Audit	Notification. No other suggestions.
	2022 Self Evaluation on Internal Audit (Announcement of Internal Control)	Approval after the chairman consulted all attending member, then submitted to the board of directors for resolution
4-13 (May 9, 2023)	Report for 2023 1Q Internal Audit	Notification. No other suggestions.
4-14 (August 8, 2023)	Report for 2023 2Q Internal Audit	Notification. No other suggestions.
4-16 (Dec 19, 2023)	Report for 2023 3Q Internal Audit	Notification. No other suggestions.
	Audit Plan for the Year 2024	Approval after the chairman consulted all attending member, then submitted to the board of directors for resolution
	The independent director held a private meeting with the internal audit manager, with no regular directors or managers present. Topic: Frequency of Auditing Overseas Affiliates	Hsieh-Hsing Huang, Independent Director's Recommendation: Please maintain close communication with local accountants of overseas affiliates Internal Audit Division: Planned to Communicate with accounts of overseas affiliates at least once per year.

(III) Independent Director and CPA have good communication, and independent directors have no suggestions. Summary of communication issues in 2023 are showed as follows.

Audit Committee	Communication Item	Communication Result
4-12 (March 10, 2023)	Financial Statements and Consolidated Financial Statements Report for the Year 2022	Approval after the chairman consulted all attending member, then submitted to the board of directors for resolution
	The impact of COVID, inspection scope, findings, the impact of related regulations on other matters	Notification. No other suggestions.
4-13 (May 9, 2023)	Report for 2023 1Q consolidate financial statements	Approval after the chairman consulted all attending member, then submitted to the board of directors
4-14 (Aug 8, 2023)	Report for 2023 2Q consolidate financial statements	Approval after the chairman consulted all attending member, then submitted to the board of directors
	Accountant's Report on Controlled Foreign Company (CFC) System and its Impact on the Group. Communication Plan, Audit Plan, Auditor's Independence, Roles, and Responsibility.	Approval after the chairman consulted all attending member, then submitted to the board of directors
4-15 (Nov. 10, 2023)	Report for 2023 3Q consolidate financial statements	Approval after the chairman consulted all attending member, then submitted to the board of directors
	Independent Director Holds Individual Meeting with Accountant (No Regular Directors or Managers Present) Topic: Status of Forward Foreign Exchange Transactions.	Hsieh-Hsing Huang, Independent Director's Recommendation: Please provide details such as the items, parties involved, and amounts related to forward foreign exchange transactions. Accountant: Information has been provided to the independent director on November 13th, 2023.

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 ten times from 2013 to 2023 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><u>Management targets:</u> The members of the board of directors include at least one female director; the independent director seats exceed one-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><u>Execution:</u> The Company select 11 directors (including 4 independent directors) at 2021 Shareholders' Meetings (July 23, 2021). The members of the board of directors boast mutually complemented industrial experience, as well as expertise in finance, economics, accounting and law. The board of directors includes 2 female directors, and the proportion of female directors has increased from 6.67% to 18.18%; the proportion of independent directors increased from 20% to 36.36%; three independent directors have a tenure of less than 3 years, and one independent director has a tenure of 3 ~ 6 years). The goal of diversified board members has been met. Members of the board actively attended the board meeting, and the actual attendance rate of the 25th board of directors in 2023 was 98%; the actual attendance rate of the 26th board of directors was 100%. These board members effectively supervised and understood the implementation of the business plan.</p> <p>(II) In order to establish a good governance system, rationalize and strengthen management functions, fulfill corporate social responsibilities, and attain sustainable development, the 25th board of directors resolved in its third meeting (on Aug. 13, 2018) to set up "corporate governance and sustainability committee." (See note 1: Corporate Governance and Sustainability Committee)</p>	(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</p>	(III) Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “.

Evaluation items	Implementation Status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
			<p>Principles for TWSE/GTSM Listed Companies". Since 2015, at the end of every year, the secretariat of the board of directors would collect information on the activities of the board of directors and issue questionnaires for self evaluation before recording the evaluation results and reporting them to the board of directors for review and improvement. External professional independent agent or external expert team is hired to evaluate the performance of BOD and issue external evaluation report every three years. On the 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 2023.</p> <p>For the year 2023, the "Board Performance Evaluation" was commissioned to the external professional organization, the "Taiwanese Association for Ethical Management." This association has established a Corporate Governance Committee dedicated to promoting and executing board performance evaluation services. The evaluation procedures are conducted by scholars and experts who have long been involved in the field of corporate governance, ensuring a professional evaluation process in line with international standards.</p> <p>Members of the committee include:</p> <ul style="list-style-type: none"> ● Shao Qing-Ping (Chairman; Professor of Law, National Taiwan University Law School) ● Tsai Yang-Zong (Honorary Professor, Department of Accounting, National Taiwan University. ● Yang Yue-Ping (Associate Professor, Department of Law, National Taiwan University. <p>They have provided independence declarations in the report.</p> <p><u>Assessment Period:</u> January 1st, 2023, to December 5th, 2023</p>	

Evaluation items	Implementation Status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
			<p><u>Scope of Evaluation:</u> Operations of the Board of Directors and its functional committees, such as the Audit Committee and the Compensation Committee.</p> <p><u>Evaluation Method:</u> In November 2023, a written review was conducted, examining internal regulations, board meeting records, and responses to evaluation questionnaires from directors. On December 4th and 5th, 2023, interviews were conducted with the directors in person.</p> <p><u>The evaluation results are as follows:</u></p> <p>Board of Directors</p> <ol style="list-style-type: none"> Board of Directors' Professional Competence: The composition of the Board of Directors primarily reflects the shareholder structure, with members' backgrounds covering various professional fields such as industry and finance, enabling diverse perspectives and opinions to be provided from different angles. Board Decision-Making Effectiveness: Board members have ample opportunities for discussion during meetings, allowing for full participation in company operations and effective decision-making. Board Oversight of Internal Controls: The evaluated company has established risk management policies and manages them systematically, allowing board members to effectively grasp the overall information of the group. This strengthens the board's management and oversight of corporate risks. Attitude towards Sustainable Operations: The evaluated company has established a Corporate Governance and Sustainability Committee, which regularly reports on the implementation of sustainability strategies to the board of directors. This enables the board to understand the development of sustainable operations and continuously promote and oversee them. <p>Functional Committees</p> <ol style="list-style-type: none"> <u>Audit Committee:</u> Independent directors of the evaluated company have access to comprehensive agenda information and, through close communication with relevant personnel, are able to effectively supervise the internal control and internal audit processes of the evaluated company and provide relevant improvement suggestions. <u>Compensation Committee:</u> Independent directors of the evaluated company also engage in thorough discussions, and the evaluated company has specific evaluation 	

Evaluation items	Implementation Status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
			<p>criteria in place, facilitating independent directors in providing suggestions for decision-making evaluations on compensation strategies and reaching consensus.</p> <p><u>Improvement Suggestions</u></p> <ol style="list-style-type: none"> 1. Strengthen Communication Frequency between Management and Board Members: Increase the frequency of communication between management and board members. Provide timely explanations to board members regarding the background of agenda items, tailored to the complexity of each item. 2. Continuously Enhance Integrated Risk Assessment and Management Mechanisms: Increase the depth of discussion on topics such as operational layout and industry ecosystem changes. Provide explanations on integrated risk management assessments and their actual implementation. <p><u>Improvement Plan:</u></p> <ol style="list-style-type: none"> 1. The management team of our company will provide timely explanations to board members regarding the background of agenda items. Additionally, a summary will be documented, capturing the opinions and responses of directors raised before the meeting. This will facilitate the application of past experiences in future decision-making evaluations. 2. The scope of risk management, organizational structure, and risk management operations for the year 2023 have been presented to the 26-12th Board of Directors meeting (December 22, 2023). In addition to assessing categories such as internal control risks, financial risks, strategic and operational risks, compliance risks, information security risks, sustainability risks, and quality risks, new assessments have been added for supply chain risks, occupational health and safety risks, human resources risks, macroeconomic risks, geopolitical risks, and disaster risks. Management operations and improvement plans for each risk category have been proposed. Subsequently, discussions will be expanded to include topics such as operational layout and industry ecosystem changes as appropriate. <p>For the year 2023, the "Individual Director Performance Evaluation" was conducted by the Board Secretariat through a "Director Member Performance Self-Assessment Questionnaire." The evaluation covered six major dimensions,</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>including the individual's understanding of the company's goals and missions, awareness of director duties, level of participation in company operations, internal relationship management and communication, professional expertise and continuous education, and internal controls, comprising a total of 23 assessment indicators. After comprehensive evaluation and analysis, the assessment result was rated as "excellent".</p> <p>The Board Performance Evaluation Report for the year 2023 has been submitted to the 26th meeting of the 21st Board of Directors (March 15, 2023). The "Board Performance Evaluation Results" for each year will be provided to the Compensation Committee and the Corporate Governance and Sustainability Committee as references for individual director compensation and nomination for reappointment.</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.</p> <p>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 become the company's contracted CPA; The assessment of the independence and suitability of the signing auditors has been discussed and approved at the 4-10 meetings and the 4-16 meetings of the Audit Committee (December 19, 2022, and December 19, 2023, respectively), as well as at the 26-13 meetings and the 26-19 st meetings of the Board of Directors (December 23, 2022, and December 22, 2023, respectively)</p>	(IV) Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies".
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	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</p>	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	
shareholders' meetings according to laws and regulations, produce minutes of Board meetings and shareholders meetings, etc.)?			<p>appointed manager in accordance with the company's articles of incorporation. The main duties are:</p> <ol style="list-style-type: none"> (1) Handle matters related to the meetings of the board of directors and shareholders meeting according to law. (2) Prepare the minutes of the board of directors and shareholder meetings. (3) Assist directors and supervisors in their appointment and continuing education. (4) Provide directors and supervisors with the information needed to execute their business. (5) Assist directors and supervisors to comply with laws and regulations. (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. (7) Handle matters related to the change of directors. (8) Other matters stipulated in the company's articles of association or contract. <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 18 hours in 2023, and it has been reported to the Taiwan Stock Exchange Corporation (TWSE) on December 26, 2023 :</p> <ol style="list-style-type: none"> 1. On July 4, 2023, Taiwan Stock Exchange (TWSE)/ 2023 Cathay Sustainable Finance and Climate Change Summit (6 hours) 2. On July 13, 2023, Taiwan Stock Exchange (TWSE)/ Seminar on Sustainability Action Plans for Listed Companies (3 hours) 3. On July 26, 2023, Taiwan Corporate Governance Association of Taiwan(CGAT)/ Seminar on Practical Sharing of Board Performance Evaluation (3 hours) 4. On August 11, 2023, Straits Business Development Foundation(SBDF)/ Controlled Foreign Corporation (CFC) & Global Anti-Tax Avoidance (3 hours) 5. On Dec 22, 2022, Taiwan Corporate Governance Association of Taiwan(CGAT)/ What practical measures should TECO take to address climate change? (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	V		The company attaches great importance to stakeholders' attention to issues and communication channels. It has smooth communication channels with stakeholders in various fields such as shareholders, employees, customers, suppliers, local communities, NGOs, and government units. Regular / irregularly publish information or communicate directly with stakeholders, respect and maintain their legitimate rights and interests, and implement corporate	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	
stakeholders.			governance integrity and transparency (See Note 3: Issues which stakeholders focus and communication channel). Set up a corporate social responsibility / TECO sustainable commitment / stakeholder communication area on the company's website, and a dedicated person will respond to important corporate social responsibility issues that stakeholders are concerned about. The communication status with stakeholders for the fiscal year 2023 has been reported to the 26th meeting of the 19th Board of Directors on December 22, 2023.	
VI. Whether the company has entrusted professional stock-affairs agent to handle shareholder' meeting?	V		The company has entrusted a professional stock agency to handle the affairs of the shareholders' meeting. Stock agency: Taishin Securities Co., Ltd. stock agency (Tel: 886-2-2504-8125, Address: B1, No. 96, Sec. 1, Jianguo N. Rd, Zhongshan Dist., Taipei City).	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “
VII. Information disclosure (I) Whether the company has installed website for publication of information on finance, business, and corporate governance? (II) Whether the company has publicized information via other methods (such as installation of English-language website, designations of persons in charge of collection and publication of company information, materialization of the system of spokesman, and posting of the process of investors' conference on the company website)? (III) Does the company release the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation within the prescribed time limit?	V		(I) The company institutes website for disclosing the status of finance and corporate governance. The address of the corporate website: www.teco.com.tw. (II) The corporate structure English website (https:// www.teco.com.tw/en). According to the company's measures for news release, collection and disclosure of company information is in the charge of designated staffer. After approval by the president, various units can notify the public relations unit for news release which will then be transferred to the spokesman for execution. According to the company's measures for information publication, spokesman should disclose company information to all investors and media at the same time in a fair manner. (III) The company publishes and declares annual financial reports (within 75 days), the first, second, and third quarter financial reports (within 45 days) and monthly operating conditions (before 10th of each month) within the time limit specified in Article 36 of the Securities Exchange Law. Because there are hundreds of consolidated entities, temporarily not been able to announce and declare the annual financial report within two months after the end of the fiscal year. 2023 Annual financial statements have been announced and declared on 2024.3.15.	(I) Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies ”. (II) Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies ”. (III) Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies“

Evaluation items	Implementation Status			Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
VIII. Whether the company has other information conducive to understanding the status of corporate governance (including, but not limited to, staffers’ interests, concern for staffers, investor relationship, supplier relationship, stakeholders’ rights, advanced study of directors and supervisors, execution of risk-management policy and criteria for risk assessment, execution of customer policy, and taking out of liabilities insurance for directors, and supervisors?	V		<ol style="list-style-type: none"> 1. In order to safeguard employees' benefits, labor union has been established, on top of regular labor-management meeting, as a bridge of communications with employees. At quarter meeting at headquarters and weekly meeting at various plant premises, senior managers would explain to employees the company's current business performance and challenges and open commend those with extraordinary performance. 2. The company set up committee of employees' welfare as early as 1964, in charge of pushing various welfare measures and planning series of measures caring for employees' families, so as help employees build a harmonious familial relationship and improve their health, so as to enhance their performance. 3. The company has set up a unit dedicated to periodic disclosure the company's major business information, boosting information transparency, as well as a feedback mechanism for accepting suggestions of investors on the company's development, in addition to active participation in investor conferences, so that investors can have firm grip on the company current business status and development planning. 4. The company's representatives visit each supplier at least twice a year. The company has been pushing the establishment of e-procurement platform, as an effective communications channel for suppliers worldwide. The business group has also formulated a uniform list of qualified sales agents. 5. To uphold the rights of stakeholders, they can express their suggestions and complaints via telephone, fax, or e-mail, which will be handled by designated staffers, and employees are also encouraged to report violations of laws or regulations via dedicated mailbox. 6. The company has dedicated to the establishment of a complete risk-management system, actively considering all the risks which may occur in the company's operation and assuring compliance by the company with related laws and regulations. Meanwhile, assure continuing effectiveness of the company's internal control system via auditing system. Various auditing tasks by the auditing unit ascertain the effectiveness of the company's internal control system, as shown in the low risks of various environmental indicators in 2023. 7. The company has dedicated to the provision of quality products with high price-performance ratio to customers. In 	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>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 (2023 and 2024) was delivered at the 14st meeting of the 26th board of directors (2.17.2023) and 19th meeting of the 26th board of directors.(12.22.2023)</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>The Taiwan Stock Exchange announced on April 27, 2023, the results of the corporate governance evaluation for the fiscal year 2022 (9th session), with our company receiving a score of 6% to 20%.</p> <p><u>The situation has been improved:</u> The secretariat has ensured that the consolidated or individual financial reports for the first to third quarters have been discussed and resolved by the Board of Directors. Additionally, the consolidated financial statements have been uploaded to the Taiwan Stock Exchange's Market Observation Post and the company's website according to the prescribed schedule. in the minutes.</p> <p><u>Priorities and measures for strengthening:</u> The Company will continuously diversify the board and improve the proportion of female directors and independent directors.</p>	Compliance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies “

Note 1: Information on the operation of the 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 2023:

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
2-5 meeting (2023.2.10)	1. ISS and Glass Lewis 2023 Voting Guidelines Report	Noted
	1. 2023 work plans of the company's "ESG promotion office," "corporate governance center," "legal compliance and affairs office," "information-security committee"	1. Key initiatives of the "ESG Promotion Office": Environmental (E) - Promote a 50% reduction in emissions over ten years. Social (S) - Internalize ESG, promote gender equality; support the elderly and childcare, spreading love. Governance (G) - Promote sustainable supply chains, internal carbon pricing (ICP), and carbon flow management. 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)

Corporate governance and sustainability committee	Items	Results
		4. Major work items of the "information security committee": 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 2023 working plans were approved with no objection from members in attendance upon inquiry by the chairman.
2-6 meeting (2023.8.8)	1. Reports on execution status of the work plans of "ESG promotion office," "corporate governance center," "legal compliance and affairs office," and "information security committee" for the first half of 2023.	Noted
	2. Appointment of the company's information-security chief officer °	This matter was unanimously approved for consideration after consultation with all attending committee members by the Chairman. Mr. Peng Jie-Tseng, President of the Air and Intelligent Life Business Group, will assume the position of Chief Information Security Officer. The decision will be presented to the Board of Directors for final approval.

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		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		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?	Good 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.
02	Whether or not the accounting firm has sufficient scale, resources, and area coverage for offering corporate auditing service?	Good 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.
03	Whether or not the accounting firm has definite quality control procedure to assure the quality of financial report?	Good 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. 1, 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?	Good 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.

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". ● Monthly revenue announcements are posted on the Taiwan Stock Exchange's Market Observation Post and the company's website; a total of 41 significant announcements were made in both Chinese and English. ● Shareholders' Annual General Meeting for the fiscal year 2023 was held on May 24, 2023. ● In 2023, the company held four corporate briefing sessions and uploaded video links in both Chinese and English to the Taiwan Stock Exchange's Market Observation Post and the company's website.. ● Invited to attend 11 investment forums both at home and abroad. ● Received 302 visits of investors (excluding investment forums and broker analysts) (including 28 visits of foreign investors), and paid 26 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: 22 meetings at four plants in total in 2023 ● 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.(Total 2 times) ● Food meeting: 13 meetings at four plants in total in 2023 ● Employee Quarterly Meetings: There were a total of 8 meetings held across the Nangang headquarters and various factory locations in 2023. Among them, 4 meetings in Nangang were conducted using communication software, enabling all employees from different factories to attend online. ● Employee satisfaction survey: Knew the opinions of employees and executives through the survey. ● Misconduct/Complaints: There were a total of 2 cases (1 complaint was not pursued; 1 case is under investigation) ● 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 management operation, etc.

Stake holders	Issue	Communication channel/response method/frequency	Communication efficiency/achievement
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"> ● Customer satisfaction surveys are conducted annually, followed by analysis and the implementation of strategies, totaling 9 times per year. ● Regular external audits of the quality management system were conducted three times from October to November 2023. Additionally, there were eight internal audits, 125 process audits, and 44 product audits carried out during the same period. ● There were 5 media press conferences held. ● Participated in 8 exhibitions (Smart City Expo, Smart Mobility Expo, Taipei International Food Expo, Asia-Pacific Sustainable Expo, 2023 Net Zero Emissions Technology International Competition @Taiwan Exhibition, Automation Expo, Malaysia-Taiwan Image Exhibition, India-Taiwan Image Exhibition) ● 35 press releases on the official website; over 170 email responses. ● 95 posts on Facebook, with 93 message replies; 38 videos on YouTube. ● Organized the 2nd Green Brain Creative Competition for primary and secondary schools, promoting energy-saving concepts at grassroots levels.
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 3 sustainable supply chain forums, tutoring 5 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 ● 1,523 employees participated in public activities with 2,611 voluntary hours.

Stake holders	Issue	Communication channel/response method/frequency	Communication efficiency/achievement
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 ● Non-financial information disclosure: Publish an annual corporate sustainability report revealing specific actions and achievements in environmental (E), social (S), and governance (G) dimensions. Contact window: IR) Director Chien ir@teco.com.tw 	<ul style="list-style-type: none"> ● Participated in 30 forum events organized by business associations, with a total attendance of 76 individual. ● Issued corporate sustainability report every year, won the Taiwan Enterprise Sustainability platinum Award for ten 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 emission Environmental protection Energy management	<ul style="list-style-type: none"> ● Complied with the requirements of regulatory authorities and regularly submitted reports ● Participated in regulatory authorities' seminars, regulatory public hearings, and official documents on an ad hoc basis ● Cooperated with regulatory authorities for supervision and audit ● Contact window: (Spokesperson) Chien Director speaker@teco.com.tw 	<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 efficient management to secure employees' occupational safety and health.

3.3.4 Compensation Committee

1. Information on Members of Compensation Committee

Criteria Roles Name		Professional qualifications and experience	Independence Criteria	Number of part-time positions on the compensation committees of other companies
Independent Director	Shiang-Chung Chen	Please refer to Page 12 disclosed information about director qualification and independence.	According to the company's articles of association and the "Principles of Corporate Governance," directors are appointed through a candidate nomination system. When nominating and selecting board members, the company has obtained written statements, work experience, current employment certificates, and a list of relatives from each director to verify their independence from the company, spouses, and relatives within three degrees. Additionally, the company has verified that the following four independent directors met the qualification requirements set forth by the Financial Supervisory Commission's "Regulations Governing the Establishment of Independent Directors of Public Companies and Compliance Matters" and Article 14-2 of the Securities Exchange Act during	1
Independent Director	Wei-Chi Liu			2
Independent Director	Hsieh-Hsing Huang			1
Independent Director	Li-Chen Lin			0

Roles Name		Criteria	Professional qualifications and experience	Independence Criteria	Number of part-time positions on the compensation committees of other companies
				the two years prior to their appointment and throughout their tenure. Moreover, the independent directors have been granted sufficient authority to participate in decision-making and express opinions in accordance with Article 14-3 of the Securities Exchange Act, thereby independently executing their relevant duties.	
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.</p> <p>Without cases mentioned in various clauses of Article 30 of Company Law.</p>	During the two years prior to their appointment and throughout their tenure, he did not violate the provisions regarding independence set forth in Article 6 of the "Regulations Governing the Establishment and Exercise of Functions of Remuneration Committees of Companies Listed on the Stock Exchange or Traded Over-the-Counter."	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 .
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%	

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 2023

Compensation committee	Communication Item	Communication Result
5-6 (March 3, 2023)	Discussion on the Distribution of Directors' Remuneration for the Year 2022.	Approved, summit to board of directors for resolution
	The proposal on the Company's 2021 remuneration distribution for employees	Approved, summit to board of directors for resolution
5-7 (November 2, 2023)	Report on the Disbursement of Employee Compensation for the Year 2022.	Notification.
	Report on the Long-Term Incentive Compensation System of the Company.	Notification.
	Discussion on the Appointment of Managerial Compensation within the Company.	Approved, summit to board of directors for resolution
5-8 (Dec 19, 2023)	Report on the Performance Evaluation of Managers for the Year 2023 within the Company.	Notification.
	Estimated Report on the Disbursement of Year-End Bonuses for Managers in the Year 2023 within the Company.	Notification.

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 "Board of Directors" serves as the highest level for risk management and establishes the "Corporate Governance and Sustainability Committee" composed of five directors, three of whom are independent directors. They are responsible for managing sustainability (ESG), compliance, and cybersecurity risks, and hold regular meetings.</p> <p>2. The company has established the "ESG Promotion Office" to regularly report directly to the Chairman on the execution and tracking of TECO Corporation's sustainability management goals and policy implementation. It integrates the TCFD framework for sustainable KPI management and risk management reporting. The task force consists of representatives from each business unit/factory, as well as support units such as "Safety and Health," "Human Resources," and "Finance," responsible for promoting routine affairs.</p> <p>3. In 2023, the "Corporate Governance and Sustainability Committee" convened on February 10th and August 8th, chaired by the convener of independent directors. The report from the "ESG Promotion Office" included: the progress and execution report of the ESG work plan for the year of 2023, and supervision of sustainable development and recommendations:</p> <p>(1) Increase the installation of solar power generation equipment: In 2023, 2.03MW capacity was installed at the Italian plant, totaling 9.66MW of solar installation capacity.</p> <p>(2) Suggestions to enhance employee participation and pride in social activities: In 2023, activities such as the Tatung Charity Sports Day, one-acre field planting and harvesting, DEI slogan competition, and performances by the Tatung Foundation for Indigenous Peoples were organized, inviting employees to participate or appreciate.</p> <p>(3) Strengthen participation in external public associations' sustainable activities in response to international sustainable development: In 2023, TECO participated in sustainable-related activities organized by the BCSD, TAISE, and TCSA.</p> <p>(4) Continuously enhance the cybersecurity awareness of all employees: In 2023, TECO Digital Academy implemented information security courses for all employees to strengthen their cybersecurity awareness.</p>	Compliance with "Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies"

Promotion items	Execution			Discrepancy with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
			<p>4. The progress of sustainability development in year 2023 was reported to the Corporate Governance and Sustainability Committee on February 10th and August 8th, and subsequently to the Board of Directors on March 10th and August 11th, 2023.</p> <p>5. 2023 sustainability report will be submitted to the board of director in June 2024.</p>	
II. Does the company conduct risk assessments of environmental, social and corporate governance issues related to the company's operations in accordance with the materiality principle, and establish relevant risk management policies or strategies? (Note2)	V		<p>1. Teco engages with stakeholders through various communication channels, conducting exchanges and identifying major issues based on global trends. Surveys are created from these identified issues, and proactive interviews are conducted with representative stakeholders to collect and update their level of concern. Issues are sorted and analyzed based on input from external stakeholders and internal management. This process helps identify different perspectives and adjust the direction of sustainability management. Risk of failure in sustainability initiatives and key factors of significance are analyzed to develop internal management systems ensuring goal achievement. Identification of significance and establishment of sustainability goals are reviewed annually.</p> <p>2. In 2023, a significance analysis was conducted across Taiwan, Mainland China, and US factory sites, analyzing 261 questionnaires (52% from Taiwan, 46% from Mainland China, and 2% from other regions). This analysis focused on identifying the top ten high-impact issues among sixteen relevant topics.</p> <p>The top ten high-impact issues identified were: In 2022, a total of 261 surveys were analyzed across Taiwan, Mainland China, and the United States, with Taiwan accounting for 52%, Mainland China 46%, and the remaining 2% from other regions. These surveys focused on 16 relevant topics to identify the top ten high-impact issues. These issues included : (1)investment in talent development, (2)climate and carbon management, (3)seizing innovative opportunities and research and development, (4)use of renewable energy, (5)employee welfare system, (6)diversity and equality among employees, (7)information security measures, (8)prevention and control of air and water pollution, (9)occupational safety maintenance,(10)and supply chain management measure.</p> <p>3. Teco is committed to establishing a comprehensive risk management system, with the Audit Committee and the Corporate Governance and Sustainability Committee serving as the highest level of risk management within the company. These committees oversee various types of risks, employing clear professional division of responsibilities to manage risks at different levels. They report to the Board of Directors regularly. Additionally, the company has an Audit Team directly reporting to the Board of Directors, responsible for monitoring and auditing the entire risk management mechanism. Through</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	
			internal audit operations, the company ensures the effectiveness of risk control and appropriately manages potential risks. 4. The company, in accordance with Article 44 of the "Guidelines for the Establishment of Internal Control Systems by Publicly Issued Companies," formulated the "Risk Management Policy and Procedures" at the 22-17th Board Meeting (2002.3.20). The first amendment was approved at the 26-6th Board Meeting (2022.3.16)	
III. Environment issues (I) Does the company establish an appropriate environmental management system according to its industrial characteristics?	V		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. The headquarters (Teco Electric & Machinery) and 13 production sites have all completed the establishment of ISO 14001 environmental management systems and passed third-party verification, achieving a coverage rate of 100%. These include the following companies: Teco Electric & Machinery (Zhongli Plant, Guanyin Plant, Hukou Plant), Dongsheng Electric, TECO-Westinghouse, Teco Precision, Taicke Wuxi, Wuxi Dongyuan, Wuxi Precision, Jiangxi Dongcheng, Jiangxi Dongyuan, Teco Vietnam, Wuxi Micro Precision Electric, Andakang, Teco Malaysia, Teco Malaysia Johor Bahru, Singapore Sales, and Motovario.	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"> ● Energy Efficiency: In the fiscal year 2022, the total energy consumption for the entire group was 453,012.5 gigajoules (GJ), with a coverage rate of 80.3%. The energy efficiency was 7.77 GJ per million units. For the fiscal year 112, the total energy consumption was approximately 398,710 GJ, with a coverage rate of 80%. The energy efficiency was 6.71 GJ per million unit. ● Renewable Energy Generation: In 2023, TECO completed the installation of a 2.03 MW solar power facility in Italy, adding to existing generation capacity. This brings the cumulative installed solar capacity worldwide to 9.66 MW. Plans for 2024 include expanding generation facilities in Taiwan, Mainland China, and the United States by 8.8 MW. The goal is to achieve a total electricity generation capacity equivalent to 30% of total electricity consumption by the year 2030. ● Motor Material Recycling: Utilizing recycled silicon steel scrap melted down for motor casings, the proportion of recycled iron materials reaches approximately over ninety percent. ● Environmental-friendly Refrigerant Replacement: Continuously promoting the use of R32 eco-friendly refrigerant to replace R410a refrigerant. Approximately sixty percent of air conditioning units are now utilizing R32 eco-friendly refrigerant. 	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			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. Implementing an internal carbon pricing system serves as an incentive measure for internal performance	Compliance with “Sustainable Development Best-Practice Principles for

Promotion items	Execution			Discrepancy with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
and take related countermeasures?			management. By imposing carbon fees, it encourages more active energy conservation and carbon reduction efforts internally. There is also an active plan to establish solar power facilities for global self-owned power generation. In 2023, a renewable energy facility with a capacity of 2.03MW was completed in Italy. The goal is to have such facilities account for 30% of the total electricity consumption. For details on climate change governance, please refer to section 3.3.6	TWSE/GTSM Listed Companies “
(IV) Has the company counted greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for greenhouse gas reduction, water use reduction or other waste management?			<p>● 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: -- Direct emission volume (scope 1): around 13,580 metric tons of CO₂e/year -- Indirect energy emission volume (scope 2): around 44,380 metric tons of CO₂e/year -- Other indirect emission volumes (scope 3): around 226,702 metric tons of CO₂e/year (Taiwan area) Over the past two years, greenhouse gas inventories have been verified by third-party external verification bodies ISO 14064-3 to ensure the accuracy of inventory data. The third-party external verification bodies include BSI (British Standards Institution) in Taiwan, CQC (China Quality Certification Center) in Mainland China and Vietnam, SGS (Taiwan Inspected and Tested Technology) in the United States, and TÜV (TÜV Rheinland) in Italy. Regional electricity coefficients are primarily based on the coefficients announced by the local energy authorities for the current year, referencing the Global Warming Potential (GWP) from IPCC AR6.</p> <p>● Water consumption volume: Based on the additional data provided, water usage for TECO in 2022 amounted to 367.01 Mm³, while in 2021, it was 400.55 Mm³. In 2023, TECO set a target to reduce water usage by 5% annually compared to the baseline year of 2020. The target value was set at 385 Mm³, and the actual total usage was 362.64 Mm³, achieving the target for the year.</p> <p>● Wastes: TECO set its target for 2023 to reduce non-hazardous waste by 5% annually compared to the baseline year of 2020. The target value was 735 metric tons, and the actual amount generated was approximately 719.96 metric tons, achieving the target for the year. For hazardous waste, the target value was set at 292 metric tons, and the actual</p>	Compliance with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “

Promotion items	Execution			Discrepancy with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
			<p>amount generated was approximately 286.27 metric tons, also achieving the target for the year. Additional data shows that in 2022, the total amount of non-hazardous waste processed was 859.64 metric tons, while in 2021, it was 724.22 metric tons. Regarding hazardous waste, the total amount processed in 2022 was 294.92 metric tons, compared to 336.16 metric tons in 2021.</p> <ul style="list-style-type: none"> ● The complete inventory information listed above will be primarily disclosed in the 2023 Sustainability Report. 	
<p>IV. Social Issues</p> <p>(I) Does the company establish appropriate management policies and procedures in accordance with relevant laws and regulations and the International Bill of Human Rights?</p>			<p>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. Additionally, TECO promotes various DEI (Diversity, Equity, and Inclusion) activities to foster inclusivity among employees and mitigate potential human rights infringement risk.</p>	Compliance with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “
<p>(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?</p>			<p>1. Sharing of management results</p> <ul style="list-style-type: none"> ● We implement a performance management system to align employee rewards with company performance, thereby motivating employees to fulfill their work mission. In accordance with the company's articles of association, a portion, up to ten percent, of the annual profit is allocated for distributing employee remuneration. Additionally, based on the "Year-end Bonus Evaluation Method," a certain proportion of the company's operating profit is allocated for distributing year-end bonuses. ● Starting from the year 2023, all qualified employees who pass their performance evaluations are eligible to participate in an employee stock ownership trust, which subsidizes employees to purchase company stocks through the trust. This initiative aims to encourage employees to save, engage in financial planning, and foster a partnership between employees and shareholders, ensuring that employees' efforts at work ultimately reflect in the company's dividends and stock prices, leading to the accumulation and appreciation of their wealth. ● Starting from the year 2023, managers and above are assigned three-year goals based on their respective responsibilities and are granted long-term incentive rewards. Subsequently, bonuses are distributed based on the achievement of these three-year goals and individual Key Performance Indicator (KPI) scores. The KPIs are set according to unit and individual indicators, with sustainability project personnel's KPIs linked to relevant sustainability indicators. Additionally, 	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>to ensure gender balance, the company safeguards the employment quota for women through KPI indicators.</p> <ul style="list-style-type: none"> The Employee Stock Holding Association was established in 2020, granting bonuses to managers and above, some of which are used to purchase company stocks through a trust. Simultaneously, an Employee Stock Ownership Association was also formed, allowing managers and above to allocate a portion of their monthly salary, with the company matching the same amount, to purchase company stocks through a trust. TECO will continue to refine its long-term incentive program and increase the proportion of employees assessed based on sustainability indicators. <p>2. Employee welfare measures</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"> 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 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. Prenatal check-up: If an employee needs to take a leave for Prenatal check-up during pregnancy, she may take such leave up to 10 days per year, better than 7 days by law. 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 congratulations along with a marriage allowance. 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. 	

Promotion items	Execution			Discrepancy with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “ and reasons
	Yes	No	Summarized Explanation	
(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 10 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: 1.04 ● Disabling injury severity rate SR: 13 ● Statistics of workplace disaster-related events: 10 events (1 events in Taiwan plants, 5 events in Mainland China plants, 3 events in Italy plants, and 1 event in US.) ● 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. <p>Each year, we conduct fire safety inspections and comply with annual fire drills (twice a year). Emergency response drills for high-risk equipment and areas in the factory are also conducted. In 2023, there were 2 reported incidents of equipment fires.</p> <ul style="list-style-type: none"> ● The surface of the inner insulation cotton of the baking furnace at the Chungli plant is contaminated with chemical resin, causing resin combustion on the surface of the insulation cotton due to the polythermal effect generated by the circulation inside the furnace; there was no financial loss to the equipment, and after inspection, the equipment resumed normal operation. ● Electrical fire occurred at the output end of the testing area equipment at TECO-Westinghouse in the United States due to loose connection of fixed terminals, leading to overheating; damage to the insulation resulted in an arc, causing an open flame. ● The factory implements occupational safety inspections focusing on safety categories such as on-site, high-risk operations, and fire/equipment/electrical/building safety. Environmental inspections cover categories including air, water, waste, toxins, and noise. Both cases mentioned above were self-extinguished incidents within the factory with no casualties. ● The complete and verified information mentioned above 	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	
			will be primarily disclosed in the 2023 Sustainability Report.	
(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><u>Key Talent System:</u></p> <p>Key talent refers to personnel below the managerial level who are crucial for the company. Every two years, a review and evaluation of key talent are conducted. Following the selection process, their development progress becomes one of the key performance indicators (KPIs) for their respective units. The Human Resources Center assists employees in setting up Individual Development Plans (IDPs) tailored to their needs, ensuring they receive systematic training and development. Progress on the execution of key talent IDPs is reviewed quarterly to enhance their skills and drive organizational growth.</p> <p><u>Digital Transformation and Digital Talent Development:</u></p> <ol style="list-style-type: none"> 1. Digitalization of Knowledge Learning: The company officially introduced a new learning platform in the second half of 2022 and continued its expansion in 2023. 2. Digital Competition - Internal digital project competitions were organized with "Data-Driven" as the main theme. The process involved problem identification, project proposal, Proof of Concept (POC), and results review, aiding the company in data-driven decision-making and identifying new potential business models, becoming a catalyst for the emergence of new operational modes for the company. 3. Digital Seed Cultivation Program: In 2023, a workshop in collaboration was conducted as a precursor to the digital competition, focusing on how digital seeds could brainstorm topics. In July, a 2-day course on digital transformation in smart manufacturing was held, enabling grassroots and mid-level managers to understand digital transformation/lean smart manufacturing from a conceptual standpoint. <p><u>Management Trainee Program</u></p> <p>Establishing training programs for potential supervisors at the grassroots and mid-level management positions, targeting employees who are being groomed for promotion.</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	
(V) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, has the company followed relevant regulations and international standards, and formulated relevant consumer or client protection policies and appeal procedures?			<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 2023, the sales volume of high-efficiency motors account for more than 60%. TECO continues to promote replacement, provide sustainable power for the future.</p> <p>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.</p> <p>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.</p>	Compliance with “Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies “
(VI) Does the company formulate a vendor management policy requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health, labor rights, and supervised the compliance?			<p>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".</p>	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?			<p>The overall content and structure of the sustainability report are based on the Global Reporting Initiative (GRI) Standards 2021 guidelines issued by the Global Sustainability Standards Board (GSSB). The reporting structure and content presentation follow the options provided by the GRI Standards. Environmental aspects and greenhouse gas inventory, among other contents and structures, adhere to the guidelines provided by the Task Force on Climate-Related Financial Disclosures (TCFD). Sustainability issues with significant financial impacts on industries are disclosed according to the Sustainability Accounting Standards Board (SASB) standards.</p> <p>The sustainability report adopts the AA1000 Assurance Standard Type 1 Moderate Assurance, which is ensured for its accuracy by BSI (British Standards Institution)</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	
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: <ul style="list-style-type: none">● 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.● Established in 2023, the Business Development Department for Innovative Energy Storage Operations was created to consolidate resources and pursue opportunities in the privatization of electricity through virtual power plants and microgrid initiatives.● In 2024, the establishment of a management team and supply chain mechanism in the Americas is planned to achieve over 50% localization.● In 2025, the establishment of a short supply chain in the Americas will be completed to shorten lead times, enhance customer satisfaction, and diversify physical risk impacts of climate change. Lead times will be reduced by 48%, and finished goods inventory will decrease by 50%.● By 2030, the completion of 30% renewable energy generation capacity will be achieved. In 2023, the total generation capacity reached 10.58 million kilowatt-hours, approximately 10% of global electricity consumption. Continuing the plan in 2024 to construct an additional 8.8 megawatts of generation facilities is expected to achieve the 30% target by 2030.● Teco organized the "Green Brain Creative Competition" as part of the government's "Cool Classrooms" initiative, providing first-class energy-saving air conditioners to 700 schools to root the concept of energy conservation and emission reduction. Additionally, Teco Technology Foundation continues to promote the "Indigenous Sustainable Education Program" annually, protecting Taiwan's unique cultural heritage through the "Wow! Indigenous Sustainable Education Program" and fostering social inclusivity and sustainability.				
“The complete information will be disclosed in the sustainability report.”				

3.3.6 Climate-related information of listed companies

1. Execution status of climate-related information

Item	Execution status
(1) The oversight and governance of climate-related risks and opportunities by the board of directors and management.	<p>The company establishes the "Corporate Governance and Sustainability Committee" to oversee matters related to "Corporate Governance," "Legal Compliance and Legal Affairs," and "Sustainability and Climate Issues Management." The committee consists of three or more directors, with more than half being independent directors. One independent director is elected by the committee members to serve as the convener and meeting chairperson. Regular meetings are held annually.</p> <p>The TECO has established the "ESG Promotion Office," which regularly reports directly to the Chairman on the implementation and tracking of TECO's corporate sustainability management goals and policy execution. It integrates the TCFD framework for sustainable KPI management and risk management reporting. The task force consists of representatives from various business units/plant sites as well as staff from departments such as "Health and Safety," "Human Resources," and "Finance," responsible for promoting routine affairs.</p> <p>In 2023, the "Corporate Governance and Sustainability Committee" convened on February 10 and August 8, chaired by the convener of independent directors. The "ESG Promotion Office" presented the following content: a report on the progress and execution of the ESG initiatives for 2023, along with recommendations and oversight on sustainable development provided by the committee.</p> <ul style="list-style-type: none"> ● Expansion of solar power generation facilities: In 2023, the installation of solar power facilities saw significant growth. With the completion of a 2.03MW capacity installation at the Italy plant, the cumulative global capacity for solar installations reached 9.66MW. ● Social activities aimed at enhancing employee engagement and pride were suggested: In 2023, various events were organized, including charity sports events, rice planting and harvesting activities, DEI slogan competitions, and performances by the TECO Cultural and Educational Foundation's Indigenous Dance Troupe. Employees were invited to participate in or enjoy these activities. ● To strengthen participation in external sustainability-related activities in response to global sustainable development efforts: In 2023, we engaged in various sustainability-related activities organized by associations such as the Business Council for Sustainable Development (BCSD) Taiwan, the Taiwan Institute for Sustainable Energy (TAISE), and the Taiwan Smart City Development Association (TCSA). ● Continuous efforts should be made to enhance cybersecurity awareness among all employees: In 2023, TECO Digital Academy implemented information security courses for all employees to strengthen their awareness of cybersecurity.
(2) Describing how identified climate risks and opportunities affect the company's business, strategies, and finances (short-term, medium-term, long-term).	<p>Climate Change Transformation Risk Scenario Analysis:</p> <p>Based on the scenario analysis results announced by The Network of Central Banks and Supervisors for Greening the Financial System (NGFS), if current conditions persist, with global temperatures rising by 3°C, the physical impacts would include approximately a 10% loss of labor due to heat-related factors, increased river flooding, typhoons, and cyclones. Economically, the world is projected to lose 2% of GDP by 2040 due to the impacts of natural disasters, leading to stagnation in economic development for many countries. TECO will implement emission reduction activities according to the following short, medium, and long-term plans.</p> <ul style="list-style-type: none"> ● Short-term (by 2025): Achieve a 34% reduction in emissions. This will involve implementing process and equipment improvements across all plants, increasing casting yield rates, upgrading and modernizing furnace circuits, installing solar power generation facilities in factory premises, and enforcing a complete ban on the use of R410A refrigerants in small air conditioning units. ● Mid-term (by 2030): Achieve a 50% reduction in emissions. This will involve installing solar power generation facilities in European and American plants, upgrading casting technology, and discontinuing the use of SF6 in high-pressure equipment products. ● Long-term (by 2050): Achieve carbon neutrality for the entire TECO Group. <p>Climate Change Physical Risk Scenario Analysis</p> <p>Representative Concentration Pathways (RCPs)" are scenarios used to analyze future temperature and precipitation changes, based on the difference in radiative forcing between year 2100 and year 1750. RCP2.6 represents a mitigation scenario, indicating an increase in radiative forcing of 2.6 watts per square meter by the year 2100.</p>

Item	Execution status
	<p>According to the scenario analysis from the Network for Greening the Financial System (NGFS) climate scenario simulation model, RCP4.5 to RCP6.0 represents a moderate warming scenario, while RCP8.5 and above represent a high warming scenario. Based on TECO's global production base output calculations, TECO may incur an annual loss of 510 million dollars after 2050, and under the more severe RCP6.0 scenario, this annual loss may increase to 620 million dollars.</p> <p><u>Opportunities arising from climate change:</u></p> <p>In order to enhance adaptive capacity under climate change, both the government and enterprises are committed to three initiatives: "Green Energy Storage Projects," "Industrial Decarbonization," and "Electric Vehicle Power Modules," all of which create new business opportunities for TECO. Additionally, TECO will also play a role as a virtual power plant operator, securing a place in the liberalized electricity market.</p>
(3) Describing the financial impact of extreme weather events and transition actions	<p>According to the European Union's Sustainability Taxonomies guidelines, TECO's revenue proportion in climate change mitigation and adaptation is 54.6%, while its capital investment proportion is 56.8%.</p> <ul style="list-style-type: none"> ● The Electromechanical Systems and Automation Business Group represents the overall performance of the entire business group through the sales proportion of high-efficiency motors: revenue from high-efficiency motors with efficiency above 95% accounts for 84.4%, and revenue from low-voltage motors with IE3 or above efficiency level accounts for 74.7%. ● The Air Conditioning and Smart Living Business Group represents the overall performance of the entire business group through the sales proportion of green appliances: revenue from green appliance products accounts for 60.0%. ● The Smart Energy Business Group represents the overall performance of the entire business group through the revenue from engineering projects (offshore wind power, grid resilience, green buildings, etc.): engineering project revenue accounts for 53.0%. <p>Capital expenditures account for approximately 56.8% of the total investment amount, including the establishment of solar power generation facilities, implementation of new products, technologies, processes, environmental protection equipment, automation, and intelligent projects.</p>
(4) Describing how the process of identifying, assessing, and managing climate risks is integrated into the overall risk management system	<p>TECO identifies major issues from global trends, proactively engaging stakeholders to incorporate diverse perspectives. Through a dual-significance analysis, it identifies transformational failure risks. The ESG Office confirms the contents of each issue, explaining the causes, areas of impact, assessment methods, corresponding risks, and management measures for the top ten issues. Additionally, referencing the company's overall Risk Assessment and Analysis Report provided by the Finance Department, it lists key climate risks and sustainable management items, tracks the risk mitigation efforts of responsible units, and discloses them in the sustainability report. The process of identifying significance and setting sustainability goals is conducted annually.</p>
(5) If using scenario analysis to assess resilience to climate change risks, one should elucidate the scenario, parameters, assumptions, analytical factors, and primary financial impacts utilized	<p>Within its industry, TECO has developed high-efficiency motors, with a shipment and sales ratio of 74.7% in 2023, exceeding the global average of 39%, leading the market transition. Moreover, TECO has ventured into developing corrosion-resistant motors required for carbon capture equipment, thereby entering the equipment supply chain. TECO has also established solar power facilities in overseas production bases, aiming for solar energy to constitute 30% of the total electricity consumption.</p> <p>Using the Representative Concentration Pathways (RCPs) as indicators, which represent the difference in radiative forcing between the year 2100 and the year 1750, future temperature and precipitation changes are analyzed. Under the RCP2.6 scenario, Taiwan is projected to face a temperature increase of 2.3°C and a decrease in workforce by 2.3 percentage points by 2050. Based on production output across TECO's global manufacturing bases, the company may incur annual losses of NT\$510 million after 2050 under this scenario. In the more severe RCP6.0 scenario, the annual losses could amount to NT\$620 million.</p>
(6) If there is a transition plan to manage climate-related risks, the details of the plan, as well as the indicators and objectives used to identify and manage physical and transition risks, should be explained	<p><u>Regarding emission reduction:</u></p> <p>TECO has announced its "Ten-Year 50% Emission Reduction" plan, aiming to achieve a 50% reduction in operational carbon emissions by 2030. This initiative extends to overseas facilities to synchronize the entire group's efforts towards emission reduction. Actions include energy-saving and emission-reduction measures at production sites, as well as the implementation of digital temperature monitoring systems to improve data processing efficiency.</p> <p>The annual greenhouse gas inventory operation will be upgraded to monthly emission performance tracking. Product-wise, the development of IE5-grade energy-efficient motors has been completed, and environmentally friendly refrigerants are being adopted for small air</p>

Item	Execution status
	<p>conditioners. Plans are in place for the establishment of globally owned power generation facilities, aiming to achieve a 30% increase in power generation capacity.</p> <p>In terms of supply chain diversification:</p> <p>Eestablishing a management team and supply chain mechanism in the Americas with the aim of achieving over 50% localization by 2024, while also mitigating the impacts of climate change-related physical risks. The objectives include reducing lead times by 48% and decreasing finished goods inventory by 50% (Americas' short chain vs. global long chain).</p>
(7) If internal carbon pricing is utilized as a planning tool, the basis for price determination should be explained	<p>Starting from 2023, the comprehensive implementation of internal carbon pricing system is in place. Business group general managers are allocated annual emission allowances and actual budgets are earmarked to cover the emissions for the year. Any emissions exceeding the target entail additional budgetary allocations, thus directly impacting the performance and bonuses of the business groups.</p> <p>The carbon price is set at NTD 1,600 per ton (approximately USD 50), determined based on a comprehensive review of global carbon pricing, research reports from Taiwan Institute for Sustainable Energy, benchmarking with leading domestic enterprises, and the internal investment costs for carbon reduction measures at company production facilities.</p>
(8) If climate-related targets are set, it should be clarified which activities they encompass, the scope of greenhouse gas emissions, the planning timeframe, progress achieved annually, etc. If carbon offsetting or Renewable Energy Certificates (RECs) are used to achieve these goals, the source and quantity of carbon offset credits or the number of RECs exchanged should be disclosed	<p>TECO has set a goal to achieve a 50% reduction in Scope 1 and 2 emissions by 2030. As of 2023, the cumulative achievement towards this goal is 34%. TECO is committed to achieving its emission reduction targets through tangible actions. In 2023, it obtained 1,076 green energy certificates through self-consumption of solar power.</p>
(9) Greenhouse Gas Inventory and Confidence Situation with Reduction Targets, Strategies, and Specific Action Plans (also filled in sections 1-1 and 1-2)	<p>TECO Group Subsidiaries Greenhouse Gas Inventory Classification and Statutory Schedule: In accordance with the Financial Supervisory Commission's "Sustainable Development Roadmap for Listed Companies," TECO Group has established a disclosure schedule for greenhouse gas inventories for its subsidiaries, as part of its commitment to sustainability. Subsidiaries included in the consolidated financial statements are categorized into four types based on their operational nature, significance, and contribution to the overall revenue. TECO Group ensures that greenhouse gas inventory tasks are uniformly conducted across all subsidiaries within the specified timeframe.</p> <p>The inventory scope covers both direct emissions of greenhouse gases (Scope 1) and energy indirect emissions (Scope 2), with disclosures phased according to regulatory requirements and aligned with the scope of the company's consolidated financial statements.</p>

1-1 Company's Greenhouse Gas Inventory and Assurance Status in the Past Two Year

Outline the baseline year and its data for greenhouse gas emissions, reduction goals, strategies, specific action plans, and the status of achieving these reduction goals.

Greenhouse Gas Inventory Information

	2022 year	2023 year
Scope 1 (tonCO ₂ e)	21,007.49	Approximately equivalent to 13,580 tons
Scope 2 (tonCO ₂ e)	55,536.06	Approximately equivalent to 44,380 tons
Intensity (tonCO ₂ e/TWD M)	1.59	Approximately equivalent to 1.27.
Scope 3 (tonCO ₂ e)	19,038,553.80	Approximately equivalent to 22M
Coverage (%)	82.7	80%

The managed scope includes TECO Group's core businesses in machinery, appliances, and engineering, encompassing TECO Electric & Machinery (TECO), TECO Electric Europe, TECO-Westinghouse, TECO Precision, Taikosei, Wuxi TECO, Wuxi Precision, Jiangxi Dongcheng, Jiangxi TECO, TECO Vietnam, Wuxi Micro Precision, Andarko, TECO Malaysia, TECO New Town Malaysia, TECO Singapore Sales, Motovario, and Andarko, which are production bases and major sales systems under substantial control. Non-core businesses such as logistics, software, communication, human resources, real estate development, and property management are not included in management.

"The complete assurance information will be disclosed in the sustainability report."

1-1-1 Greenhouse Gas Assurance Information

Description of the assurance status for the two most recent years up to the date of the annual report printing, including the scope of assurance, assurance provider, assurance standards, and assurance opinion.

The greenhouse gas inventories for the two most recent years have been verified by third-party external verification bodies according to ISO 14064-3 standards to ensure the accuracy of the inventory data. The third-party external verification bodies include BSI (British Standards Institution) in Taiwan, CQC (China Quality Certification Center) in Mainland China/Vietnam, SGS (Taiwan Inspection Technology) in the United States, and TUV (TÜV Rheinland) in Italy. Regional emission factors are primarily based on the coefficients announced by the local energy authorities for the respective years, with reference to the Global Warming Potentials from IPCC AR6.

The scope of management includes TECO Group's electromechanical, household appliance, and engineering businesses, which encompass TECO Electric (TECO), East Success Electrical, TECO-Westinghouse, East Precision Electric, Taikoo Wuxi, Wuxi Dongyuan, Wuxi Precision, Jiangxi Dongcheng, Jiangxi Dongyuan, Vietnam Dongyuan, Motovario, Anda Kang, and other production bases and major sales systems under substantive control. Non-core businesses such as logistics, software, telecommunications, human resources, real estate development, and property management are not included in the management scope.

"The complete assurance information will be disclosed in the sustainability report."

1-2 Greenhouse Gas Reduction Goals, Strategies, and Specific Action Plans

Description of the baseline year and data for greenhouse gas reduction, reduction targets, strategies, specific action plans, and the achievement status of the reduction targets.

2021: Scope 1 and Scope 2 emissions totaled 88,535 tons of CO₂ equivalent (baseline year)

2022: Scope 1 and Scope 2 emissions totaled 76,543 tons of CO₂ equivalent, with an achievement rate of 12% for the cumulative target.

2023: Scope 1 and Scope 2 emissions totaled 57,960 tons of CO₂ equivalent, with an achievement rate of 34.5% for the cumulative target.

Global Greenhouse Gas Inventory Digitalization System:

To rapidly and effectively monitor the greenhouse gas emissions reduction and management performance across the global production sites of the TECO Group, a digitalization system for the internal global greenhouse gas inventory has been established and implemented. This platform enables real-time monitoring of greenhouse gas emissions during the monthly operations for both domestic and overseas production sites, as well as the corporate headquarters. It accelerates data integration and reporting, enhances communication efficiency, and assists in promptly identifying greenhouse gas emission trends, setting carbon reduction targets, identifying significant emission hotspots, and formulating carbon reduction strategies. (Currently implemented in Taiwan and Mainland China production sites).

Internal Carbon Pricing System: Starting from 2023, the internal carbon pricing system has been fully implemented, with a pricing set at NTD 1,600 per ton. The General Managers of the business groups are allocated annual emission allowances and actual budgets are allocated accordingly to cover the emissions. If emissions exceed the target value, additional budget allocation is required, which directly impacts the performance and bonuses of the business groups. (Currently implemented in the three major business groups of TECO Electric & Machinery Co., Ltd.)

Supply Chain Emission Reduction Initiative:

TECO has initiated actions to reduce emissions across its supply chain. In the supplier management evaluation system, assessments of the risks associated with implementing greenhouse gas emission reduction measures have been added. Additionally, sustainability supply chain forums have been organized to guide small and medium-sized enterprise (SME) suppliers in conducting greenhouse gas inventories, particularly within the resource-constrained context. The aim is to enable SMEs in the extensive manufacturing sector in Taiwan to grasp basic carbon emission data and establish emission reduction capabilities, thereby accelerating the global industry's transition to net zero and advancing towards a sustainable supply chain. (Currently implemented in the Taiwan supply chain, with greenhouse gas inventories completed by suppliers representing 52.5% of procurement expenditure.

3.3.7 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>	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	
(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 2023) 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		<p>(I) When the company conducts external commercial activities, it will consider its integrity record before dealing with the counterparty. The Company's Board of Directors' legal & compliance division also incorporates the terms of good faith into the</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	
<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 February 10, 2023, August 8, 2023, 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 2023 of the board of directors on December 22). 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 2023 in accordance with the measures in 2023. The risk analysis and preventive measures plan for unethical behavior in 2023 was updated on December 6, 2023.</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, 2023) and the board of directors (Dec 22, 2023) 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 12, 2024) and board meeting (March 15, 2024). 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. In 2023, the company provided ongoing educational initiatives for current directors, managers, and employees. The course content included topics such as confidential information awareness, trade secrets, fair trade law regarding concerted actions, the prohibition of insider trading (regulations and case studies), offense and defense of trademark infringement claims, legal risks during contract formation, copyright protection and infringement as well as trends in legal amendments, patent search and analysis, and personal data protection law advocacy. A total of 2,631 participants took part in these initiatives, amounting to over 62,275.8 hours of training. Besides achieving a 100% signing rate of the "Integrity Declaration" by employees in 2023, the company also organizes at least one educational session per year on insider trading prevention procedures and related laws for directors, supervisors, managers, and employees. New directors, supervisors, and managers receive timely education, while new employees are guided by the human resources department during pre-service training. Following training sessions, assessments are conducted to evaluate learning progress, and course presentations and video files are made available on the internal employee system for review. Employees are required to study internal regulations and pass assessments.</p>	
III. Implementation of whistleblowing system (I) Has the Company established a concrete whistleblowing and reward system, established convenient	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	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed

Evaluation items	Execution (note 1)			Difference with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
	Yes	No	Summarized Explanation	
<p>whistleblowing channels, and designated appropriate personnel to handle the case being exposed by the whistle-blower?</p> <p>(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?</p> <p>(III) Has the Company established measures to protect whistleblowers from retaliation?</p>			<p>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.</p> <p>(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.</p> <p>(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.</p>	Companies
<p>IV. Intensifying information disclosure</p> <p>(I) Whether the company has disclosed its "Ethical Corporate Management Best Practices Principles" on its website and the implementation effect.</p>	V		<p>(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.</p>	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
<p>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.</p>				
<p>VI. Other key information conducive to the understanding of the company's integrity-related affairs: (e.g. the Company reviews and amends its code of business conduct and ethics) The company materializes ethical corporate management via compliance with Company Law, Securities Exchange Act, and regulations and laws governing listed firms, in addition to forbidding unethical behaviors in business dealings. The company has amended the "Ethical Corporate Management Best Practice Principles" on November 12, 2019; On March 17, 2021, amended the "Procedures for Ethical Management and Guidelines for Conduct"; On June 10, 2021, amended "Human Rights and Environmentally Sustainable Commitment"; 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".</p>				

Note 1: Regardless of whether the operation status is checked "Yes" or "No", it should be stated in the summary description column.

3.3.8 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.

3.3.9 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 9, 2023	Taiwan Institute for Sustainable Energy(TAISE)	The 31st TCC Board Meeting and CEO Forum	2 hrs
		Apr 20, 2023	Taiwan Institute for Sustainable Energy(TAISE)	The 32st TCC Board Meeting and CEO Forum	2 hrs
		July 13, 2023	Taiwan Institute for Sustainable Energy(TAISE)	The 33st TCC Board Meeting and CEO Forum	3 hrs
		Dec 22, 2023	Taiwan Corporate Governance Association of Taiwan(CGAT)	What practical measures should TECO take to address climate change?	3 hrs
Director	Tong Ho Global Investment Co., Ltd. Representative: Cheng-Tsung Huang	Aug 11, 2023	Straits Business Development Foundation(SBDF)	Controlled Foreign Corporation (CFC) & Global Anti-Tax Avoidance	3 hrs
		Dec 22, 2023	The Corporate Governance Association of Taiwan(CGAT)	What practical measures should TECO take to address climate change?	3 hrs
Director	Show-Shoun Chou	Aug 11, 2023	Straits Business Development Foundation(SBDF)	Controlled Foreign Corporation (CFC) & Global Anti-Tax Avoidance	3 hrs
		Dec 22, 2023	Taiwan Corporate Governance Association of Taiwan(CGAT)	What practical measures should TECO take to address climate change?	3 hrs
Director	Ho Yuan International Investment Co., Ltd. Representative: Pen-Ching Cheng	June 2, 2023	Chinese National Association of Industry and Commerce(CNAIC)	2023 Taiwan-New Zealand Net Zero Power Summit Forum	3 hrs
		July 4, 2023	Taiwan Stock Exchange(TWSE)	2023 Cathay Sustainable Finance and Climate Change Summit	6 hrs
Director	Yinge Int. Inv. Co., Ltd Representative: Li-Chong Huang	June 2, 2023	Chinese National Association of Industry and Commerce(CNAIC)	2023 Taiwan-New Zealand Net Zero Power Summit Forum	3 hrs
		July 4, 2023	Taiwan Stock Exchange(TWSE)	2023 Cathay Sustainable Finance and Climate Change Summit	6 hrs
		Aug 11, 2023	Straits Business Development Foundation(SBDF)	Controlled Foreign Corporation (CFC) & Global Anti-Tax Avoidance	3 hrs
		Dec 22, 2023	Taiwan Corporate Governance Association of Taiwan(CGAT)	What practical measures should TECO take to address climate change?	3 hrs

Title	Name	Date	Organizer	Training Course	Time
Director	Creative Sensor Co., Ltd. Representative: Johnson Hou	May 8, 2023	Taiwan Corporate Governance Association of Taiwan(CGAT)	Changing the World Through Investment: The Practice of Impact Investing and SDGs	3 hrs
		May 9, 2023	Taiwan Corporate Directors Association(TCDA)	Analysis of Control Rights Contest: Legal Regulations of Hostile Takeovers and Cases of Equity Defense and Offense	3 hrs
		Aug 7, 2023	The Corporate Governance Association of Taiwan(CGAT)	The New Face of Corporate Governance in the ESG Era	3 hrs
Director	Song-Ren Fang	Mar 3, 2023	Taiwan Corporate Directors Association(TCDA)	Opportunities and Challenges of the Circular Economy	3 hrs
		June 2, 2023	Chinese National Association of Industry and Commerce(CNAIC)	2023 Taiwan-New Zealand Net Zero Power Summit Forum	2 hrs
Independent Director	Wei-Chi Liu	Aug 11, 2023	Straits Business Development Foundation(SBDF)	Controlled Foreign Corporation (CFC) & Global Anti-Tax Avoidance	3 hrs
		May 12, 2023	Taiwan Corporate Directors Association(TCDA)	Centennial Practitioners of Innovation Driven by Technology	3 hrs
		Sep 19, 2023	Taiwan Corporate Directors Association(TCDA)	Sustainability and International Competitiveness of Enterprises	3 hrs
Independent Director	Hsieh-Hsing Huang	Aug 11, 2023	Straits Business Development Foundation(SBDF)	Controlled Foreign Corporation (CFC) & Global Anti-Tax Avoidance	3 hrs
		Dec 22, 2023	Taiwan Corporate Governance Association of Taiwan(CGAT)	What practical measures should TECO take to address climate change?	3 hrs
Independent Director	Li-Chen Lin	June 2, 2023	Chinese National Association of Industry and Commerce(CNAIC)	2023 Taiwan-New Zealand Net Zero Power Summit Forum	3 hrs
		June 7, 2023	Taiwan Corporate Directors Association(TCDA)	The Future of Business Amid Geopolitical Dynamics: Strategic Shifts and Transformations	3 hrs
Independent Director	Shiang-Chung Chen	Mar 7, 2023	Taiwan Corporate Directors Association(TCDA)	Opportunities and Challenges of the Circular Economy	3 hrs
		Aug 24, 2023	Taiwan Corporate Governance Association of Taiwan(CGAT)	Sustainability and Dual-Axis Digital Transformation	3 hrs

C. Advanced studies for managing officers :

Title	Name	Date	Organizer	Traning course	Time
President	Hsin Fan	Aug 11, 2023	Straits Business Development Foundation(SBDF)	Controlled Foreign Corporation (CFC) & Global Anti-Tax Avoidance	3 hrs
		Dec 22, 2023	Taiwan Corporate Governance Association of Taiwan(CGAT)	What practical measures should TECO take to address climate change?	3 hrs
Business Group President	Fei-Yuan Kao	Aug 11, 2023	Straits Business Development Foundation(SBDF)	Controlled Foreign Corporation (CFC) & Global Anti-Tax Avoidance	3 hrs
		Dec 22, 2023	Taiwan Corporate Governance Association of Taiwan(CGAT)	What practical measures should TECO take to address climate change?	3 hrs
Business Group President	Sung-Pin Chang	Aug 11, 2023	Taiwan Investors Relation Institute	Outlook for the overall global economic situation in the second half of 2022	3 hrs
		Dec 22, 2023	Taiwan Corporate Governance Association of Taiwan(CGAT)	What practical measures should TECO take to address climate change?	3 hrs
Business Group President	Chi-Tseng Peng	Aug 11, 2023	Straits Business Development Foundation(SBDF)	Controlled Foreign Corporation (CFC) & Global Anti-Tax Avoidance	3 hrs
		Dec 22, 2023	Taiwan Corporate Governance Association of Taiwan(CGAT)	What practical measures should TECO take to address climate change?	3 hrs
TECO General Research Laboratory(TGRI)	Kun-Yao Ho	Aug 11, 2023	Straits Business Development Foundation(SBDF)	Controlled Foreign Corporation (CFC) & Global Anti-Tax Avoidance	3 hrs
		Dec 22, 2023	Taiwan Corporate Governance Association of Taiwan(CGAT)	What practical measures should TECO take to address climate change?	3 hrs
Assistant Vice President	Victor Hsu	Dec 22, 2023	Taiwan Corporate Governance Association of Taiwan(CGAT)	What practical measures should TECO take to address climate change?	3 hrs
Corporate Governance Officer	Shih-Hsiung Chien	July 4, 2023	Taiwan Stock Exchange(TWSE)	2023 Cathay Sustainable Finance and Climate Change Summit	6 hrs
		July 13, 2023	Taiwan Stock Exchange(TWSE)	Seminar on Sustainability Action Plans for Listed Companies	3 hrs
		July 26, 2023	Taiwan Corporate Governance Association of Taiwan(CGAT)	Seminar on Practical Sharing of Board Performance Evaluation	3 hrs
		Aug 11, 2023	Straits Business Development Foundation(SBDF)	Controlled Foreign Corporation (CFC) & Global Anti-Tax Avoidance	3 hrs
		Dec 22, 2023	Taiwan Corporate Governance Association of Taiwan(CGAT)	What practical measures should TECO take to address climate change?	3 hrs

Title	Name	Date	Organizer	Traning course	Time
Accounting Chief	Tommy Wu	Aug 11, 2023	Straits Business Development Foundation(SBDF)	Controlled Foreign Corporation (CFC) & Global Anti-Tax Avoidance	3 hrs
		Dec 22, 2023	Taiwan Corporate Governance Association of Taiwan(CGAT)	What practical measures should TECO take to address climate change?	3 hrs

D. The situation of resignation in the Company:

Title	Name	On Board Date	Date of resignation	Reason
Chief Information Security Officer	Thomas Fann	Aug 12, 2022	Aug 11, 2023	Position adjustment: Chi-Tseng Peng will take over

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 vice president, 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. In the year 2022, talent evaluation and selection were completed, and five executives were selected for mid- to long-term development planning.
 - (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. Up to the year 2023, three executives have been assigned rotational assignments for training in the United States and mainland China. Starting from the fiscal year 2023, they have also been arranged to participate in group-level executive management decision-making meetings, aimed at cultivating the group's global operational decision-making capabilities and enhancing their strategic thinking.

3.3.10 Internal Control System

1. Statement of Internal Control System

Teco Electric & Machinery Co., Ltd.
Statement of Internal Control System

March 15, 2024

In the fiscal year 2023, the internal control system of our company, according to the results of self-assessment, is hereby declared as follows:

1. The company acknowledges that the establishment, implementation, and maintenance of the internal control system are the responsibilities of the board of directors and management. The company has established such a system. Its purpose is to achieve the effectiveness and efficiency of operations (including profitability, performance, and asset security), provide reliable, timely, transparent, and compliant reporting, and ensure compliance with relevant regulations and laws, providing reasonable assurance.
2. The internal control system has inherent limitations. Regardless of how well-designed it is, an effective internal control system can only provide reasonable assurance for the achievement of the above three objectives. Moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the company's internal control system has a mechanism for self-monitoring, and any deficiencies identified will be rectified promptly by the company.
3. Our company evaluates the effectiveness of the internal control system based on the criteria outlined in the "Guidelines for Establishing Internal Control Systems for Publicly Traded Companies" (hereinafter referred to as the "Guidelines"). These criteria are used to assess the design and implementation effectiveness of the internal control system. The criteria adopted in the "Guidelines" categorize the internal control system into five components based on the management control process: 1. Control Environment, 2. Risk Assessment, 3. Control Activities, 4. Information and Communication, and 5. Monitoring. Each component includes several elements. Please refer to the provisions of the "Guidelines" for the specific details of these elements.
4. Our company has already adopted the internal control system assessment criteria mentioned above to evaluate the effectiveness of the design and implementation of the internal control system.
5. Based on the inspection results mentioned above, our company believes that the internal control system (including supervision and management of subsidiaries) as of December 31, 2023, effectively ensures the achievement of operational effectiveness and efficiency goals, reliable, timely, transparent reporting, and compliance with relevant regulations and laws. The design and implementation of the internal control system are effective and can reasonably ensure the achievement of the above objectives.
6. This statement will serve as the main content of our company's annual report and public disclosure document, which will be made available to the public. Any false or concealed information in the above public content may incur legal liabilities under the Securities and Exchange Act, including Articles 20, 32, 171, and 174.
7. This statement has been approved by the board of directors of our company on March 15, 2024. There were 11 directors present or represented by proxy, all of whom fully agreed with the contents of this statement.

Teco Electric & Machinery Co., Ltd.

Chairman: Sophia Chiu

President: Thomas Fann

2. Those who entrust an accountant to review internal controls should disclose the accountant's review report:
None

3.3.11 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

3.3.12 Major Resolutions of Shareholders' Meeting and Board Meetings

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

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.

May 12, 2023 (1) The consolidated financial report for the first quarter of 2023 was submitted to the board of directors, which shows that the consolidated operating income was NT\$14,900,181 thousand, the cumulative net profit before tax was NT\$1,743,007 thousand, the cumulative net profit attributable to the parent company was NT\$1,634,863 thousand with the basic earnings per share was NT\$0.78.

(2) The board of directors resolved to pay cash dividend NT\$1.5 per share, as total amount of NT\$ 3,208,195 thousand. The ex-dividend base date was June 21, 2023, and the cash dividend payment date was July 14, 2023.

May 24, 2023 Important resolutions in Annual Shareholders' Meeting

(1) Acknowledged 2022 business report and financial statement (proposed by the board).

(2) Acknowledged 2022 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 removal of the non-competition restrictions. (proposed by the board)

Aug 11, 2023 (1) The consolidated financial report for the second quarter of 2023 was submitted to the board of directors, which shows that the consolidated operating income was NT\$29,964,245 thousand, the cumulative net profit before tax was NT\$3,997,382 thousand, the cumulative net profit attributable to the parent company was NT\$3,756,793 thousand with the basic earnings per share was NT\$1.78.

(2) The board of directors has approved the reassignment of the "Chief Information Security Officer." Due to internal restructuring within the company, the position of "Chief Information Security Officer" will now be concurrently held by Mr. Chi-Tseng Peng, the President of the Air and Intelligent Life Business Group, effective from August 11, 2023

(3) The board of directors has approved the appointment of the "Financial Chief" Mr. Victor Hsu, currently serving as Assistant Vice President in the Finance and Management Center,

has been appointed to this position, effective from September 25, 2023.

- Nov. 13, 2023 Submission of 2023 Q3 consolidated financial report to the board of directors, which shows that consolidated operating revenue stood at NT\$45,029,347 thousand, pre-tax profit reached at NT\$ 5,106,802 thousand and net income attributable to the parent company is NT\$4,737,947 thousand in the first three quarters of 2023, with earnings per share reaching NT\$2.25.
- Feb 20, 2024 The board of directors decided to convene the shareholders' meeting on May 24, 2024 at No. 11, Andong Rd, Zhongli District, Taoyuan City (Zhongli Plant of the Company), and the cessation of transfer period was from March 26, 2024 to May 24, 2024.
- March 15, 2024 (1)2023 consolidated financial report resolved by the board of directors, which shows that the consolidated operating income of NT\$59,393,661 thousand, accumulated net profit of NT\$6,332,032 thousand in the current period, accumulated net profit attributable to the owner of the parent company of NT\$5,830,061 thousand, and accumulated basic earnings per share of NT\$2.76.
- (2) The Board of Directors resolved cash dividend NT\$2.2 per share with the total amount NT\$ 4,705,353 thousand.

B. Implementation of Resolutions made in Annual Shareholders' Meeting on May 24, 2023.

Number	Resolution	Implementation
1.	Acknowledged 2022 business report and financial statement. (proposed by the board)	※ The proposal was approved by the participating Shareholders with 95.10% approved percentage.
2	Acknowledged 2022 profit distribution. (proposed by the board)	1. The proposal was approved by the participating Shareholders with 95.23% approved percentage. 2. The board of directors resolved on 2023/05/12 that the ex-dividend base date is 2023/06/12, and the cash dividend has been paid on 2023/07/14. The total cash dividend of ordinary shares distributed is NT\$3,208,195 (NT\$1.5 per share)
3	Amendment to "Article of Incorporation" (proposed by the board)	1. The proposal was approved by the participating Shareholders with 94.48% approved percentage 2. Approved by the Ministry of Economic Affairs (JingShouShang No. 11230097320) on 2023/06/05 to change the registration record and announced it on the company website.
4	Removal of the non-competition restriction (proposed by the board)	1. The proposal was approved by the participating Shareholders with 94.07% approved percentage 2. The directors who have been relieved of the non-compete restrictions due to their concurrent positions in other companies include: Cheng-Tsung Huang, representing Tung Ho International Investment Co., Ltd.; Li-Chong Huang, representing Yingte Int. Inv. Co., Ltd.; Jack Hou, representing Creative Sensor Inc.; and Song-Ren Fang

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
Chief Information Security Officer	Thomas Fann	Aug 12, 2022	Aug 11, 2023	Position adjustment: Chi-Tseng Peng will take over

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	2023	

3.4.2 Table of Brackets for CPA Fees

Unit: NT\$ thousand

Name of accounting firm	CPA names	Auditing period	Auditing fee	Non-auditing fee	Total	Note
Pricewaterhouse Coopers	Wu, Yu-Lung	2023/1/1~12/31	13,380	-	13,380	
	Chou, Chien-Hung					
Pricewaterhouse Coopers	Hsu, Li-Chen	2023/1/1~12/31	-	1,730	1,730	Note
	Huang, Ching-Yen					
Pricewaterhouse Coopers	Li, Yi-Hua	2023/1/1~12/31	-	1,300	1,300	Note

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	2023		April. 10, 2024	
		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	(5,747,457)	0	5,475,000
		135,944	0	0	0
Director	Tong Ho Global Investment Co., Ltd. Representative : Cheng-Tsung Huang	0	(265,000)	0	0
		0	0	0	0
Director	Ho Yuan International Investment Co., Ltd. Representative: Pen- Ching Cheng	483,000	0	0	0
		0	0	0	0
Director	Yinge Int. Inv. Co., Ltd Representative : Li-Chong Huang	0	0	0	0
		0	0	0	0
Director	Creative Sensor Inc. Representative: Jack Hou	(21,927,000)	0	(575,000)	(7,000,000)
		0	0	0	0
Director	Show-Shoun Chou	(4,000)	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

3.7.1.2 Changes in Shareholding of Managers

Unit: Share

Title	Name	2023		April. 30, 2024	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
President	Thomas Fann	0	0	0	0
Business Group President	Sung-Pin Chang	41,962	0	0	0
Business Group President	Chi-Tseng Peng	63,708	0	0	0
Business Group President	Fei-Yuan Kao	37,813	0	0	0
General Director of Teco Group Research Institute	Kun-Yao Ho	0	0	0	0
Finance Chief (Note)	Victor Hsu	0	0	0	0
Corporate Governance Officer	Shih-Hsiung Chien	0	0	0	0
Accounting Chief	Tommy Wu	4,124	0	0	0

Note: The board of directors has approved the appointment of Mr. Victor Hsu, currently serving as Assistant Vice President in the Finance and Management Center, as a manager, effective from September 25, 2023.

3.7.1.3 Changes in Shareholding of Major Shareholders

Unit: Share

Title	Name	2023		April 30, 2024	
		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	666,000	0	0	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)
None						

3.7.3 Shares Pledged with Related Parties

Name	Reason of Pledge	Date of Transaction	Transferee	Relationship between Transferee and the Company, Directors, Supervisors and Shareholders with more than 10% shareholding	Shares	Shares holding %	Shares Pledged %	Pledged Amount
None								

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

April 30, 2024

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.	Director is the representative of Ho Yuan International	None
							Jaryuan Investment Co. Ltd	Director is the representative of Jaryuan Investment	
Walsin Lihwa Corporation	231,104,730	10.81%	0	0%	0	0%	None	None	None
Jaryuan Investment Co. Ltd	135,653,000	6.34%	0	0%	0	0%	PJ Asset Management	The representative is serving as a director of PJ Asset Management	None

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	
Capital Taiwan High Dividend ETF Fund Account	57,614,000	2.69%	0	0%	0	0%	None	None	None
Ho Yuan International Investment Co., Ltd.	50,420,000	2.36%	0	0%	0	0%	PJ Asset Management	The representative is serving as a director of PJ Asset Management	-
Creative Sensor Co., Ltd.	46,987,000	2.20%	0	0%	0	0%	None	-	-
Tong Kuang Investment Co., Ltd.	31,991,364	1.50%	0	0%	0	0%	Kuan Yuan Industrial Co., Ltd.	1. Serving as a director of Kuan Yuan Industrial Co., Ltd.	-
							Yuban International Investment Co., Ltd.	2. Supervisor is the same person Serving as a supervisor of Yuban International Investment Co., Ltd.	
Kuan Yuan Industrial Co., Ltd.	26,833,919	1.25%	0	0%	0	0%	Tong Kuang Investment Co., Ltd.	1. Serving as a director of Tong Kuang Investment Co., Ltd.	-
							Yuban International Investment Co., Ltd.	2. Supervisor is the same person Serving as a supervisor of Yuban International Investment Co., Ltd.	
Yinge Int. Inv. Co., Ltd	22,554,698	1.05%	0	0%	0	0%	None	None	None
Yuban International Investment Co., Ltd.	20,889,000	0.98%	0	0%	0	0%	Kuan Yuan Industrial Co., Ltd.	1.The legal representative director is held by Kuan Yuan Industrial Co., Ltd. 2. The representative serves as the supervisor of Kuan Yuan Industrial Co., Ltd.	None
							Tong Kuang Investment Co., Ltd.	1.The legal representative director is held by Tong Kuang Investment Co., Ltd. 2. The representative serves as the supervisor of Tong Kuang Investment Co., Ltd.	

3.9 Long-Term Investments Ownership

Dec 31, 2023

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%
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.	7,484,459	57.52%	2,084,119	16.02%	9,568,578	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.	39,641,929	100.00%	0	0.00%	39,641,929	100.00%
Micropac (BVI)	6,883,591	100.00%	0	0.00%	6,883,591	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	19,228,898	63.52%	0	0.00%	19,228,898	63.52%
E-Joy International Co., Ltd.	10,788,200	93.16%	567,799	4.90%	11,355,999	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.	7,728,000	60.00%	0	0.00%	7,728,000	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

April 10, 2024

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

April 10, 2024

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	5	86	372	526	135,503	136,492
Shareholding (shares)	25,753,840	177,188,723	1,045,869,489	258,563,049	631,421,515	2,138,796,616
Percentage	1.20%	8.29%	48.90%	12.09%	29.52%	100.00%

4.1.3 Shareholding Distribution Status

The par value for each share is NT\$10

April 10, 2024

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	57,185	8,669,692	0.41%
1,000 ~ 5,000	62,632	126,625,506	5.92%
5,001 ~ 10,000	8,705	68,665,704	3.21%
10,001 ~ 15,000	2,565	32,503,805	1.52%
15,001 ~ 20,000	1,556	28,779,230	1.35%
20,001 ~ 30,000	1,375	34,943,147	1.63%
30,001 ~ 40,000	573	20,425,217	0.95%
40,001 ~ 50,000	419	19,317,194	0.90%
50,001 ~ 100,000	700	50,190,955	2.35%
100,001 ~ 200,000	323	46,112,625	2.16%
200,001 ~ 400,000	187	53,356,448	2.50%
400,001 ~ 600,000	66	32,278,983	1.51%
600,001 ~ 800,000	36	24,668,436	1.15%
800,001 ~ 1,000,000	19	16,760,765	0.78%
1,000,001 or over	151	1,575,498,909	73.66%
Total	136,492	2,138,796,616	100.00%

4.1.4 List of Major Shareholders

April 10, 2024

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%
Capital Taiwan High Dividend ETF Fund Account	57,614,000	2.69%
Ho Yuan International Investment Co., Ltd.	50,420,000	2.36%
Creative Sensor Co., Ltd.	46,987,000	2.20%
Tong Kuang Investment Co., Ltd.	31,991,364	1.50%
Norges Bank	30,946,193	1.45%
Kuan Yuan Industrial Co., Ltd.	26,833,919	1.25%
Yinge Int. Inv. Co., Ltd	22,554,698	1.05%
Yu Wan International Investment Co., Ltd.	20,889,000	0.98%

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

Unit: NT\$

Item	2022	2023	March 31, 2024 (Note 5)
Market Price per Share (Note 1)			
Highest Market Price	34.1	63.5	59.60
Lowest Market Price	26.3	27.1	43.20
Average Market Price	29.63	47.34	48.75
Net Worth per Share			
Before Distribution	37.42	37.47	-
After Distribution	35.92	35.27	-
Earnings per Share			
Weighted Average Shares (thousand shares)	2,109,284	2,109,284	-
Earnings Per Share	1.64	2.76	-
Dividends per Share			
Cash Dividends	1.50	2.20	-
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)	18.07	17.15	-
Price / Dividend Ratio (Note 3)	19.75	21.52	-
Cash Dividend Yield Rate (Note 4)	5.06%	4.65%	-

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\$2.2 per share on March 15th 2024, 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	\$ 409,494
Employee Bonus – in Stock	0
Directors' Remuneration	<u>102,374</u>

Employee remuneration and directors' remuneration decreased by NT\$102,373 thousand compared to the number of NT\$614,241 thousand recognized in the 2023 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

	Distribution amount resolved by board of directors
Employee Bonus - Cash	282,848
Directors' Remuneration – Cash	79,526
Total	362,374

The actual allotment amount increased by 46,224 thousand compared with the amount recognized in the account, which was recorded as profit or loss for 2023.

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

4.2.2 Information of the Convertible Bond

None

4.2.3 Information of Shelf Registration Corporate Bond

None

4.2.4 Equity warrant bonds

None

4.3 Equity Warrant Preferred Stock

None

4.4 Preferred Shares

None

4.5 Global Depositary Shares

None

4.6 Employee Stock Options 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	57.3%
Air Conditioners and Home Appliances	8.9%
Mechatronic Engineering and Electrical Equipment	17.7%
Others	16.1%
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); Reluctance Motor (5.5~55kW)
- Motor and drive products for electric vehicle power system (50-350 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)
- 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, Biomass/Diesel Generators, PCS Energy Storage Systems - Outdoor Type, 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: Development of High-Efficiency, High-Power Density Steel Frame Motors (T-Hipro+) in the Industrial Power Systems category, High-Voltage, High-Speed Variable Frequency Motors, Development of Next-Generation Insulation Systems, Next-Generation Inverter E710, Next-Generation Servo System JSDG3, Development of Ultra-High Efficiency IE5 Permanent Magnet Motors and IE5 Ultra-High Efficiency Synchronous Reluctance Motors and Drivers, etc.

In the category of Automotive Power Systems, there are electric bus and commercial vehicle motor and drive systems, as well as traction motors for rail vehicles. In the 'Renewable Energy - Green Energy Industry' category, there are developments in offshore wind turbine technology and reciprocating compressors for hydrogen energy.

b. Air conditioners and home appliance:

In response to consumers' demand for clean air, a series of smart and energy-efficient air conditioners are being developed, incorporating temperature, humidity, and cleanliness indicators. Through refrigeration and air conditioning solutions, customers' ESG (Environmental, Social, and Governance) goals for energy conservation and carbon reduction are facilitated.

- I. The variable frequency household products all achieve the government's seasonal performance factor (CSPF) level 1, and use high-efficiency and energy-saving R32 refrigerant. This improves efficiency, reduces carbon emissions, mitigates global warming, and features antibacterial, antifungal self-cleaning functions, as well as ergonomic 3D airflow.
- II. Develop a new generation of variable frequency outdoor units and a parallel variable refrigerant flow (VRF) system. The entire series meets the CSPF level 1 energy efficiency standard. The units can be paralleled up to 72HP, meeting the requirements for green buildings and high-end commercial offices
- III. Develop a 500RT magnetic levitation centrifugal chiller, adopting a multi-pressure single-system design with high IPLV values. It can operate steadily even at only 10% partial load, achieving minimal energy consumption for air conditioning output and maintaining constant temperature control. Additionally, we have introduced a smart energy-saving solution that can control energy-saving groups for four major peripheral devices, including chiller pumps, cooling water pumps, cooling towers, and air handling units. This solution provides energy management and preventive maintenance diagnostics services. Furthermore, we have developed high-efficiency IPLV direct-drive variable frequency permanent magnet screw chillers, offering customers different energy-saving options.

- IV. Develop a variable frequency condensing unit for refrigeration and freezing applications using the environmentally friendly refrigerant R407H. Additionally, we have developed specialized refrigeration units for the food cold chain, suitable for use in convenience stores, supermarkets, agriculture, fisheries, and aquaculture industries, providing various tailored solutions.
- V. Develop commercial fixed-frequency and variable-frequency air-cooled chiller units tailored for use in industrial plants, as well as commercial constant temperature and humidity air conditioning units.

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, including opportunities for the indoor construction of 15 or more Taiwan Power Company (Taipower) substations. The Products Division of Tatung provides equipment for electrical needs, such as 161kV, 69kV GIS, distribution panels, switchgear, overhead line switches, and other products. We are actively seeking subcontracting opportunities for Taipower substation projects. In the evaluation process, the Tatung Products Division has proposed a solution for future product development trends in the Taipower market: the 23kV C-GIS (Compact Gas Insulated Switchgear) green switch without SF6 (sulfur hexafluoride), in cooperation with Siemens technology.
- 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.

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, CTCI, 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 took the lead in increasing the energy efficiency of motors to IE4 in July 2023, and The United States is expected to enact and implement regulations by 2027, with other regions expected to follow suit over the next five years. Amid the trend of energy conservation and carbon reduction, governments worldwide are setting standards for motor efficiency, gradually replacing inefficient products with high-efficiency motors. This is expected to spark a global wave of motor replacement. The demand for high-efficiency, energy-saving, and carbon-reducing motors is increasing year by year, becoming the mainstream trend of development.

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.

(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. 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, to boos 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, to augment Taiwanese brands' international competitiveness.

(c) Mechatronic engineering and electrical equipment industry

The development trend of mechanical and electrical engineering and power equipment is primarily heading towards green energy. 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\$1,133,493 thousand on R&D in 2023. R&D expense is booked as NT\$244,145 thousand in the first three month in 2024.

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. E710 next-generation compact inverter
5. IE5 ultra-high energy efficiency synchronous reluctance motor and drive
6. Development of high-efficiency, high-power-density steel shell motors (T-Hipro+).
7. EC Motor.
8. Active magnetic bearing controller.
9. Large-scale two-pole rigid shaft variable frequency intelligent motor.
10. Development of next-generation insulation systems.
11. Mobile electrical room (E-Skid).

b. Automation and Intelligent System Category

1. ACS2 dedicated servo drive product.
2. High-performance precision digital communication AC servo drive system.
3. High-power density energy-saving matrix-type variable frequency drive electromechanical integrated unit.
4. Rear-mounted fuseless circuit breaker.

c. Renewable energy- green energy

1. Heat recovery system of high-speed generator and inverter
2. Offshore wind generator technology

d. EV power train

1. Localization plan for 250kW motor and drive for electric bus
2. 130kW electric vehicle commercial vehicle integrated powertrain solution.
3. SiC driver and high-performance motor powertrain solution for electric vehicles.
4. Traction motor for rail vehicles.

e. Freezing and Air-Conditioning Category

1. Full range of new R32 refrigerant high-efficiency beyond Grade 1 inverter air conditioning units with self-cleaning function.
2. Next-generation high-efficiency beyond Grade 1 inverter air conditioning units, with VRF system that can be paralleled.
3. Ultra-efficient IPLV magnetic levitation centrifugal variable frequency chiller units.
4. Ultra-efficient IPLV direct current variable frequency permanent magnet screw chiller units.
5. Industrial plant-specific commercial fixed/frequency-variable air-cooled chiller units, and commercial constant temperature and humidity air conditioning.

6. Full range of 3~8HP R407H environmentally friendly refrigerant variable frequency condensing units for refrigeration and freezing.

7. Refrigeration and freezing brine units for food cold chain.

8. Smart energy-saving air treatment products:

- Inverter self-cleaning concealed dehumidifiers
- Air purifying fresh air units
- Bathroom heating fans
- Air conditioning-specific purification modules
- TECO i-Air air treatment solution (system integration control of air conditioning units /dehumidifiers /fresh air units /antibacterial functions)
- New generation TaiSEIA series for home and commercial air conditioning with smart control and APP solutions.

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

In recent years, as various countries have been strengthening energy efficiency policies, TECO has continuously introduced high-efficiency motors, further enhancing overall sales and market share. In the short term, we will continue to promote global production and sales layout, consolidating our manufacturing capabilities and cost control. In the long term, our business development goal is to enter the top three in global market share for motors. The key development plans are as follows:

Energy Saving and Carbon Reduction: In response to carbon neutrality and electricity pricing issues, the manufacturing industry has a pressing need for energy-saving solutions. TECO provides customers with high-efficiency motors such as IE4+ motors, synchronous reluctance motors, and permanent magnet motors. Additionally, we integrate group resources to offer energy-saving system solutions tailored to industry needs. Leveraging past successful cases and collaborating with ESCO providers, we aim to expand energy-saving opportunities.

Green Energy: CCUS (Carbon Capture, Utilization, and Storage) and Hydrogen play crucial roles in achieving carbon neutrality. In response to North American policies and related investments in hydrogen fueling stations, TECO actively seizes this opportunity by providing relevant products and solutions for the establishment of infrastructure for hydrogen manufacturing, storage, transportation, and fueling stations. We offer products and solutions for equipment applications such as pumps, compressors, and explosion-proof motors to meet the needs of equipment manufacturers.

Electrification: To achieve the goal of zero carbon emissions by 2050, replacing diesel engine power with motors has become a global trend. TECO's mobile variable frequency control station (VB-skid) combined with high-efficiency motors has successfully provided comprehensive solutions for pipeline operators in the North American petrochemical industry (including motors, variable frequency drives, programmable controllers, transformers, and switch control systems). Additionally, the expansion of power facilities in remote areas of North America has created more opportunities for this solution. Meanwhile, TECO is seeking more potential new customers in Southeast Asia and Australia to address this trend. The electrification of vehicles is applied in markets such as electric buses, retrofit vehicles, commercial trucks, and ship propulsion. In the Taiwanese market, under the policy of domestic production of electric buses, TECO has secured orders for the power system of electric buses in Taiwan. In response to the Buy America policy in the North American market, a new sales company, NexE, has been established to collaborate with regional power companies, prominent school bus operators, and retrofit vehicle manufacturers to promote green energy products. In the Indian market, production lines have been established to facilitate cooperation with local customers and manufacturers, taking advantage of local opportunities.

High Potential Regional Development: In September 2023, the completion of the Mexico plant enabled TECO to provide short lead-time services to supply the North American, Mexican, and Central American markets. This was achieved through strategic partnerships with local OEM customers, primarily international pump equipment manufacturers. In November 2023, the inauguration of the new Bangalore plant in India, in collaboration with the original Indian North supply chain and partner Mitsui, aimed at expanding business in India's local distribution system and EV market. For the Southeast Asian market, efforts were focused on promoting coverage in regions with lower penetration rates in Indonesia and Malaysia, while also exploring market expansion opportunities with more competitive products.

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 a track record of approximately 170MW in Taiwan and overseas IDC (Internet Data Center) construction, assisting the cloud computing industry in building large-scale data processing centers. As the cloud industry flourishes, this adds growth momentum to TECO. As an example of successful collaboration with Taipower, TECO has built the Longtan Energy Storage System, the largest self-built energy storage facility in Taiwan. Covering an area of 0.66 hectares, equipped with 25 containers, and a total storage capacity of 80MWh, equivalent to the daily electricity consumption of nearly 8,000 households, it accounts for 37.5% of Taipower's self-built storage capacity. TECO has introduced an Energy Storage Management System (ESMS), which actively uploads system operating status every 10 seconds. The actual response time of the energy storage system was less than 0.4 seconds, surpassing the requirement of less than 1 second, with an execution rate exceeding 99%, better than the required 95%. Furthermore, TECO has implemented multiple protective measures for energy storage safety, including gas detectors, isolation switches, and clean gas fire extinguishing agents. It actively expands offshore wind power offshore substation projects, smart energy business opportunities, and overseas markets. In terms of solar energy projects, TECO has completed the construction of a self-built solar energy project with a capacity of 10.4MW, with a total contracted scale exceeding 15MW. In the field of energy storage, in addition to achieving the localization production target for PCS (Power Conversion System), TECO's technical team, with rich experience in energy storage systems and EMS (Energy Management System) integration capabilities, actively participates in Taipower's and private energy storage projects, with a total contracted scale exceeding 160MW.

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, South East Asia, mainland China and Taiwan, and are actively expanding the markets in the Phillipine, Middle East, India and Vietnam.

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. The EU Minimum Energy Performance Standards (MEPS) implemented the IE4 minimum efficiency standard in July 2023, with Taiwan expected to follow suit in 2025 and the United States in 2027. This is anticipated to trigger a wave of motor upgrades. Our company is committed to developing energy-efficient products. TECO introduced high-efficiency motors compliant with IE4 regulations as early as 2015 and continues to focus on the development of IE5 motor-related technologies. It is expected that our motor products will continue to grow accordingly.

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. Due to the Indian government's policies such as the Production-Linked Incentive (PLI) and Faster Adoption and Manufacturing of Hybrid and Electric Vehicles Phase II (FAMEII) incentives provided to users and operators, TECO established a motor factory in India in 2023. If mass production is achieved in the future, it will meet the conditions for local production incentives. TECO has initiated specification alignment and powertrain testing with several Indian startup e-Truck manufacturers.

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

The company's electromechanical system and automation product has won very good reputations, 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.
- The global supply chain layout was expanded in 2023 with the addition of motor factories in Mexico and India, aiming to shorten lead times to meet market demand.

(b) Unfavorable factors

- Taiwan Market saturation leading to price competition among machinery firms and increasingly rigorous demand for price
- 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 in Asia.
- Tier 1 motor suppliers sell system or total solution. In fact, more and more customers expect to buy total solution with motor.
- The strategic partnership model between motor factories and equipment suppliers will impact the difficulty of winning contracts.

(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.
- Join hands with foreign engineering firms in soliciting project orders.
- Relocating some production bases to Vietnam India and Mexico 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 Indonesia.

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 continues to deepen its presence in the energy-saving sector within the air conditioning field by launching a new line of energy-efficient air conditioners that exceed the current first-level energy efficiency standard by 20%. In addition to smart networking functions, these air conditioners also introduce immersive comfort cooling, a pioneering feature. Starting from an ESG concept, the company has developed the industry's only solar panel air conditioner, achieving comprehensive energy-saving and emission reduction advantages, which has been well received in the market.

The Ministry of Economic Affairs has allocated a budget of NTD3 billion to promote the "Residential Appliance Replacement Energy Subsidy" and the "Commercial Service Industry Energy-saving Equipment Subsidy." Regarding the subsidy policy for energy-saving equipment replacement in the commercial service industry, applicants can choose between replacing individual equipment with first-level energy-efficient products or replacing entire system energy-saving projects for subsidy applications. The energy subsidy program started in February 2024 and covers all 22 counties and cities nationwide. Eligible applicants include all service industry sectors in the commercial sector, such as retail, catering, beauty salons, laundry services, as well as medical institutions, short-term cram schools, schools at all levels, government agencies, and law firms.

Products from TECO ranging from small split air conditioners to large chilled water systems all meet the first-level energy efficiency standards, thus estimated to benefit from the energy subsidy program and drive a wave of replacements, ultimately boosting 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 combines 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

TECO brand circuit breakers, contactors, ACBs, RCS, ATS, and other products are among the top two manufacturers of low-voltage switching products in the domestic market. They are widely used in residential, industrial, and public engineering projects, as well as in machinery and Taipower's markets. The domestic market share is approximately 20%.

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 2023, 10.43GW of solar power generation systems and 2.14GW of wind power generation units have been completed in Taiwan. There are still 9.57GW of solar power generation systems to be built by 2025, representing a market opportunity of approximately NT\$ 478.5 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 and STATCOM for Taipower 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;
- Raw materials and high-voltage equipment prices are rising

(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	Household, commercial, industrial use	Design, planning, assembly, and matching

Products	Use	Production Process
machine tool, low-temperature logistics freezer, heat-dissipation module for PC		
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		2022			2023		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products							
Electromechanical system and automation products		3,454,192	1,363,183	16,520,388	3,168,934	1,069,315	14,887,286
Air Conditioners & Home Appliances		292,351	280,826	2,944,091	292,348	246,672	2,512,758
Power Equipment-device		9,868,472	5,859,488	3,844,592	9,970,752	5,328,532	3,517,812
Others(Tecom)		339,084	250,528	925,394	339,084	140,757	642,638
Total		13,954,099	7,754,025	24,234,465	13,771,118	6,785,276	21,560,495

5.2.6 Shipments and Sales over the Last Two Years

Unit: Units; NT\$thousand

Shipments & Sales Major Products	Year	2022				2023			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Electromechanical products		1,729,670	8,655,736	3,656,735	24,498,067	1,528,548	7,544,080	3,722,850	26,513,828
Air Conditioners & Home Appliances		575,187	6,076,725	72,846	511,545	552,074	4,793,256	45,091	464,122
Engineering Income			8,389,854				10,510,676		
Other			9,040,030		1,143,258		8,485,278		1,082,421
Total		2,304,856	32,162,345	3,729,581	26,152,871	2,080,622	31,333,290	3,767,941	28,060,371

5.3 Human Resources

Year		2022		2023		April 10 2024	
		TECO	Global	TECO	Global	TECO	Global
Number of Employees		2,269	13,030	2,271	13,415	2,258	13,139
Average Age		43.5	41.5	44.2	42.6	44.4	42.3
Average Years of Service		14.9	9.7	15.0	8.6	15.1	9.0
Education	Master above	13.5	6.5	14.6	6.0	14.7	6.3
	Colleague	57.9	51.4	56.8	51.2	57.0	51.3
	Senior high	24.5	31.3	24.7	31.7	24.5	31.2
	Junior high and below	4.1	11.4	3.9	11.1	3.8	11.1

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; Simultaneously, solar energy infrastructure is being implemented at factories in mainland China and Southeast Asia. In 2023, the facilities in Wuxi Taike and Wuxi Precision on the mainland, as well as subsidiaries in Singapore, Malaysia, and Italy, have been completed and have begun generating power. Moving forward, expansion efforts will continue into 2024 and beyond. Improvements in equipment and processes:

Both domestic and overseas factories are undergoing simultaneous process improvements to reduce greenhouse gas emissions. Notably, the Hukou factory has significantly reduced its SF6 process emission rate by about 80% since the beginning of its improvement efforts. These efforts will continue into 2024 with the aim of further refinement. The Guanyin factory's advancements in home appliance production processes, initiated in 2022, have also significantly reduced refrigerant emission rates by approximately 63%. Improvements will continue in 2024. Moreover, the experience gained from improvements at the Taiwan factories is being extended to assist overseas factories in reducing refrigerant emissions.

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

b. Plan for management improvement

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

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

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

In response to the trend of global climate change, the company has started to conduct greenhouse gas inventory business since 2005. TECO passed the external verification of annual greenhouse gas inventory (ISO 14064-1); major overseas bases will be covered in 2023. All employees are mobilized to continuously promote energy conservation and carbon reduction schemes. The energy conservation taskforce is established to promote the feasible plans.

TECO has been dedicating to the materialization of the strategic vision of “energy conservation, emissions reduction, intelligence and automation,” which calls for the production of energy-saving and environment-friendly products, via efforts in the fields of R&D, production, materials, process technology, and marketing. We also focus on green energy in business expansion and even organize various sci-tech and humanistic events via the foundation, in order to substantiate ECO value and induce the company to develop in the direction of sustainability.

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

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

i. Plans in next three years

2024	2025	2026
The continued promotion of solar energy systems, energy-efficient equipment, and other energy-saving solutions will be pursued.	The continued promotion of solar energy systems, energy-efficient equipment, and other energy-saving solutions will be pursued.	The continued promotion of solar energy systems, energy-efficient equipment, and other energy-saving solutions will be pursued.
By implementing environmentally friendly paint systems, the proportion of eco-friendly paints will be increased.	Improving or adding painting equipment, continuous furnaces, and maintaining air pollution control systems.	Improving or adding painting equipment, continuous furnaces, and maintaining air pollution control systems.
Replacement of consumables such as activated carbon, filters, and filter balls, and improvements in organic solvent processes.	Replacement of consumables such as activated carbon, filters, and filter balls, and improvements in organic solvent processes.	Replacement of consumables such as activated carbon, filters, and filter balls, and improvements in organic solvent processes.
Improvement of the process environment around the plant.	Improvement of the process environment around the plant.	Improvement of the process environment around the plant.
Continued implementation of smart air compressor systems to enhance operational efficiency.	Continued implementation of smart air compressor systems to enhance operational efficiency.	Continued implementation of smart air compressor systems to enhance operational efficiency.
Ongoing improvements to lighting systems to conserve energy.	Ongoing improvements to lighting systems to conserve energy.	Ongoing improvements to lighting systems to conserve energy.

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

2024	2025	2026
\$ 130,823	\$ 40,138	\$ 65,254

(b) Expected improvements

- i. In addition to reducing greenhouse gas emissions and lowering electricity costs, solar energy can also mitigate potential competitive threats from impending carbon taxes. Completed systems in 2023 are expected to contribute 5.17 million kWh of electricity annually, generating an estimated annual electricity cost benefit of approximately NT\$16.2 million.
- ii. The introduction of environmentally friendly water-based paint has led to an environmental paint ratio of up to 85% by the end of 2024. Compared to the 2015 baseline, volatile organic compound (VOC) emissions have decreased by 62%.
- iii. Implementation of remote monitoring mechanisms enables real-time monitoring of air pollution emissions to ensure compliance with relevant legal standards. Collaboration with domestic industry associations seeks opportunities for improving air and wastewater treatment.
- iv. Initiatives to reduce industrial waste production, enhance waste recycling mechanisms, and seek opportunities for reuse are being promoted. Waste reduction has been officially incorporated into management indicators since 2022, making energy conservation, emission reduction, and waste reduction the responsibility of all employees. Progress is reviewed monthly by dedicated units and incorporated into quarterly departmental performance KPIs.

- v. Each business group has established goals to reduce greenhouse gas emissions by 50% from 2021 to 2030, with detailed plans implemented and closely monitored by the ESG Promotion Office under the direct control of the Board of Directors.
- vi. Efforts to reduce greenhouse gas emissions include developing energy-efficient and environmentally friendly products to minimize environmental impact and address energy conservation and global warming challenges. Leveraging existing control systems and energy-saving technologies, the company provides consumers with green home appliances and progressively adopts environmentally friendly refrigerants to reduce carbon dioxide emissions. Over three years (2020-2022), this initiative has saved 140 million kWh of electricity and reduced greenhouse gas emissions by 89,584 metric tons of CO₂ equivalent, equivalent to the carbon absorption of 230 Daan Forest Parks.

f. Expected effect of improvement

(a) Effect on net profits

- i. Introducing solar energy, the system's full load can generate 2.6 million kWh of electricity annually, reducing electricity costs. The cost benefit of electricity is approximately NT\$16 million per year, equivalent to reducing carbon emissions by 3,400 metric tons.
- ii. Recycle business waste to reduce commissioned processing fees
- iii. Improve air and water pollution, avoid losses due to fines
- iv. Avoid public nuisance disputes caused by environmental pollution
- v. Avoid losses caused by work suspension
- vi. Cut production cost via reduction of environmental-protection outlays, thanks to waste abatement and pollution prevention.

(b) Effect on competitiveness status

- i. The introduction of solar power into the grid directly reduces greenhouse gas emissions, keeping pace with the international trend to decrease such emissions. Once a carbon tax is implemented in the future, this can help mitigate potential trade barriers and cost burdens due to the tax, thereby increasing product sales opportunities and enhancing the competitiveness of the company's products. In addition to contributing NT\$16 million annually in electricity costs, exporting to the United States, for example, could potentially avoid around US\$34,000 in carbon tax expenses.
- ii. Developing core technical capabilities in solar energy installation will increase the company's business potential.
- iii. Recycling and reusing industrial waste reduces costs and enhances product competitiveness.
- iv. Enhancing the company's image aligns with stakeholders' expectations.
- v. Utilizing existing technical capabilities to develop a networked power monitoring system allows for real-time control of power distribution and the identification of opportunities to save energy, while also exploring 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 diverse and open channels of communication to facilitate a harmonious and trusting relationship between labor and management, jointly creating a win-win situation. The company signed a collective agreement with the union in 1982 and has since maintained good communication. To continue stabilizing labor-management relations, promote harmony, and improve worker welfare, in 2017 the company applied for expert guidance from the supervisory authorities to initiate the revision and negotiation process. Both parties signed the revised collective agreement on February 21, 2023.

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

A. Career development and self-achievement

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

- a. Internal recruitment priority: In order to activate and clear the talent development path, the company stipulates that all types of vacancies must give priority to internal recruitment to provide employees with spontaneous and autonomous career development opportunities; the application process is confidential and colleagues need not worry of unfair treatments. After admission, they will also arrange for handover and job conversion through the company system, so that colleagues can seek a stage to display their talents.
- b. Key Talent System: Key talent refers to priority developmental talent below the managerial level within the company. A review and assessment of key talent is conducted every two years. After selection, the development status of these individuals is one of the unit's key performance indicators (KPIs), with the Human Resources Center assisting employees in setting up personalized IDPs (Individual Development Plans) to provide systematic training and development. This process aims to strengthen talent retention and drive organizational growth.
- c. Management associates training: In order to cultivate supervisor leadership and management ability, a series of courses such as basic management associates training, intermediate management associates training and new supervisor training are planned every year for potential talents. All the colleagues who want to be promoted to supervisor positions in each unit in the future must pass first. Relevant training courses can be qualified for promotion to ensure that supervisors have basic leadership and management skills.
- d. Succession echelon evaluations: To cultivate talents with company operations and continuous growth, the company also handles two evaluations for the promotion of middle-level executives or higher positions each year. Discuss on all aspects of business. The review is composed of the company's top executives, as well as academic and industry experts. Through an open, diversified and comprehensive review mechanism that takes both depth and breadth into account, outstanding talents can strive for the stage of development and promote their performance and ability. In addition, cultivate the height of its thinking.
- e. Mentor program: To cultivate succession and organizational capabilities among the mid-to-senior management tiers, a program has been established to identify potential successors. Based on 360-degree managerial competency assessments and individual needs, senior executives are assigned as mentors to provide guidance, share their experiences, management philosophies, offer advice, and assistance to accelerate the comprehensive growth of mentees. Additionally, potential successors are identified from mid-to-senior management ranks, with direct mentorship provided by the president. Through mutual exchange among mentees from different business units, discussions on development directions,

cross-unit projects, and seeking external resources to establish connections are encouraged to broaden perspectives. Regular group counseling meetings are held for mentors and mentees to provide relevant advice and guidance based on the progress of various projects and developmental situations within the group.

f. Digital Transformation and Digital Talent Cultivation:

- (1) Digitalization of Knowledge Learning: In recent years, the company has made progress in digitizing knowledge learning. Since the second half of 2022, a new learning platform called "TECO e-Academy" has been introduced, establishing a stronger foundation for digital learning. In 2023, the platform's application scope was continuously expanded, with more diverse online courses introduced, making the platform an important driver for internal knowledge sharing, learning growth, and cultural development within the company.
- (2) Digital Competitions: Internal digital project competitions were held with a focus on data-driven themes, going through problem ideation, project proposals, proof of concepts (POC), and result reviews. Competition teams completed testing and achieved initial results. These outcomes helped the company make data-driven decisions, further uncovering new potential business models, becoming catalysts for the company's new operational model outputs.
- (3) Digital Seed Cultivation Program: To address the rapidly evolving trend of digital transformation, the company held question formulation workshops in 2023, aiming to lay a solid foundation for digital competitions and teach participants how to propose innovative competition topics. Additionally, in July, the company launched a two-day smart manufacturing course focusing on digital transformation, dedicated to deepening the understanding of frontline to mid-level managers on the concepts and applications of digital transformation and smart manufacturing.

B. Protection of employee rights

- a. Job-Seeker Safety Assurance: In accordance with the Personal Data Protection Act, the company ensures the security of job-seekers' personal data and does not use it for purposes other than recruitment and selection without the job-seekers' consent. Employment practices and policies follow labor laws and TECO Electric & Machinery's human rights policy, ensuring fairness, non-discrimination, prohibition of child labor, and a ban on forced and compulsory labor.
- b. Gender Equality Assurance: The company implements and advocates for gender equality through policies aimed at reducing gender ratio disparities. It has established the "TECO WAO! (Women's Ability Organization)" club, offers diverse and inclusive leave options, creates a family-friendly work environment, and respects diverse genders through relevant seminars and advocacy. In 2022, the company was awarded the Bronze Award for Workplace Gender Equality Certification by Taipei City.
- 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; Since 2023, all employees have been eligible to apply for participation in the Employee Stock Ownership Trust according to the regulations of the Employee Stock Ownership Association. The company will allocate subsidies to encourage colleagues to hold company stocks for the long term, fostering a partnership where employees are shareholders in the company's operations, thus enhancing employee engagement and performance.
- 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 you choose to apply the labor pension regulations after July 1, 1995, the company will pay 6% of the employee's monthly salary to the labor insurance bureau's personal account according to the government's monthly labor retirement salary grading table.
- d. Communication channels and employee satisfaction survey: The company actively builds communication bridges with employees, and has won the National Labor-Management Relations Excellent Institution Award, the Labor-Management Conference Demonstration Observation Award, and

Taoyuan County's "Excellent Industrial Relations Institution Award". In addition to the labor unions, labor-management meetings, and regular employee quarterly meetings and factory meetings, colleagues also conduct [employee satisfaction surveys] every year, and respond to their needs through anonymous questionnaire surveys

C. Work-life balance

- a. Comprehensive vacation system: In order to balance the work and life balance of colleagues, and implement leave management, in addition to the leave enjoyed by employees in accordance with relevant laws and regulations, the company also examines the special leave utilization rate of each unit and includes it in the annual performance evaluation index of the supervisor.
- b. Charity leave: To encourage employees to participate in social charity activities and implement the responsibilities of corporate citizens, we also provide three days a year and pay full salary without affecting the performance evaluation of employees.
- c. Birthday leave: Birthday is a special day for individuals once a year. In order to allow colleagues to flexibly arrange activities in the month of birthday and fully feel the joy of birthday, the company has set up a birthday leave to show the company's blessing
- d. Physical and mental health promotion: In order to take care of the physical and mental health of employees, in addition to providing healthy and delicious employee meals, the company has set up full-time nursing staff in each factory area. health. At the same time, it promotes various health promotion activities, establishes various leisure and sports clubs, and provides spiritual growth courses and stress relief massage services. It is also committed to the establishment of a "maternal friendly environment". Since 2019, the breastfeeding room at the Nangang headquarters has consistently received excellent certification from the Taipei City Government. The company provides maternity health protection consultation for pregnant female employees and offers 10 days of maternity check-up leave, exceeding legal requirements, to help employees start and maintain families with peace of mind. Additionally, since 2023, the Nangang headquarters has added two AEDs (automated external defibrillators) on-site and received Taipei City's AED Safe Place certification, enhancing the health and safety of employees.

D. Guidelines for employee behavior or ethics

To uphold the working order at workplace and clearly define the rights and obligations of labor and management, the company has formulated "employee working rules," which has been approved by the regulator and publicized as the guidance for the company in employee management. The rules set out clear regulations on employees' position, title, employment, leave, service, salary, reward and punishment, evaluation, promotion, welfare, layoff, compensation for vocational injuries, and retirement.

The company expects every employee to do his/her best to contribute to the achievement of the company's business goal and enhance his/her ethical standard. It, therefore, has formulated "Procedures for Ethical Management and Guidelines for Conduct" with major contents including:

- (a) The staff in the implementation of the company's business, should avoid by means of its position in the company as of to themselves, spouse, parent, child or any other person to obtain improper benefits.
- (b) The company's internal information (or information related to the company's interest or business), be it in the aspect of technology, finance, or business, is the company's business secret, for which employees have the obligation of confidentiality and cannot leak it to any outside party. In addition, after leaving the company, employees still have to abide by the confidentiality obligation according to the principle of integrity and refrain from leaking the company's secrets or utilize them in engaging in illegal competition.
- (c) Stake with customers: Employees should obey the law and related regulation of the company to avoid inappropriate present under any other's name or in any way. Trading with customers and suppliers sincerely fairly and transparently with steady, professional attitude.
- (d) Political donation: Employees should not donate to or sponsor via other means political candidates under the name of the company or its affiliated institutions.

- (e) Charitable donation: When making any charitable donation or sponsorship, staffers should check the outlet and purpose of such donation and sponsorship to make sure it doesn't become bribery in disguise.
- (f) Obligation of reporting and informing: The company encourages open communication with staffers and third parties, who can report or inform management or human-resources unit for any question, finding, unfair treatment at worksites, or violation of the guidelines, without vicious fabrication, though. The company will handle such reporting or informing confidentially and protect those who take part in the investigation.
- (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)	1	0
Certified Internal Auditor	2	0
Securities, futures and investment trust investment advisory test organized by the Securities and Exchange Commission	3	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

In 2021, our company established the Information Security Committee under the Corporate Governance and Sustainability Committee of the Board of Directors. This committee is responsible for executing information operation security management planning, establishing and maintaining an information security management system, and coordinating the formulation, implementation, and compliance of information security policies. In the same year, we obtained certification for our Information Security Management System (ISMS) in compliance with the international standard ISO 27001.

The Information Security Committee conducts semi-annual management review meetings to regularly review various information security operations and implement corresponding protective measures and strategies to ensure the continued applicability, suitability, and effectiveness of the information security management system.

This year, we have also successfully passed the ISO 27001 recertification audit for our Information Security Management System (ISMS). Through third-party verification, we aim to effectively validate the implementation of various information security management measures, thereby establishing a secure and trustworthy operational service environment. This allows us to provide customers with stable and reliable products and services, reduce operational risks for the company, and maximize the investment value and benefits for shareholders.

Regarding intellectual property management, our company obtained the "Taiwan Intellectual Property Management System (TIPS) Grade A" certification from the Ministry of Economic Affairs in 2021. We applied for recertification in 2022 and successfully passed, with the certificate valid until December 31, 2024.

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	Yaguang Co., Ltd. and a total of 1045 other companies	One year after the signing contract/starting of shipment, should any party fail to notify contrary opinion one month before the ending of the contract, the contract will be extended by one year automatically, an arrangement which will be repeated afterwards.	Rights and obligations for agency for home appliances, electric motor, heavy electric products, power device and air conditioners.	None
2. Project Undertaking	Taoyuan International Airport Co., Ltd.	The contract was signed on July 31, 2019, and is valid until the expiration of the warranty period.	Taiwan Taoyuan International Airport Terminal 3 Public Facilities Project (1) New Construction	None
3. Project Undertaking	Taoyuan International Airport Co., Ltd.	The contract was signed on August 30, 2022, and is valid until the expiration of the warranty period.	The motor project at Taoyuan Airport Terminal 3 Area.	None
4. Project Undertaking	CIP Copenhagen Infrastructure Fund	The contract was signed on July 31, 2019, and is valid until the expiration of the warranty period.	Changfang and Xidao Offshore Wind Farm Substation early work agreement, condition of contract	None
5. Project Undertaking	Century Biotech Development Corporation	The contract was signed on June 29, 2020, and is valid until the expiration of the warranty period.	The new mechanical and electrical engineering of Taipei Nangang Biotechnology Industry Building (BOT).	None
6. Major credit contract	ANZ Bank, HSBC (Taiwan), and First Commercial Bank Co., Ltd, ...	From October 1, 2019, until June 27, 2128, at the latest.	Long-term financing contracts with an annual interest rate ranging from 1.35% to 9.31%, with 49.26% of the financing secured by assets provided as collateral.	The contract imposes different restrictions during the borrowing period concerning capital maintenance, the purpose of funds, and the acquisition or disposal of significant assets. It also requires the maintenance of certain financial ratios.
7. Project Undertaking	Hai Long II Wind Power Co., Ltd. etc.	The contract was signed on October 14, 2022, and is valid until the expiration of the warranty period.	EPC project of onshore substation of Hailong offshore wind farm	None

Agreement	Counterparty	Period	Major contents	Restrictions
8. Project Undertaking	Exyte Taiwan Co., Ltd.	The contract was signed on December 3, 2021, and is valid until the expiration of the warranty period.	CHG-5 ELECTRICAL WORKS	None
9. Project Undertaking	China Steel Power Corporation	The contract was signed on July 7 2020, and is valid until the expiration of the warranty period.	EPC project of onshore substation of China Steel Power offshore wind farm	None
10. Project Undertaking	Zhonglu Construction Co., Ltd.	The contract was signed on December 6, 2021, and is valid until the expiration of the warranty period.	New construction project of Yangmei highly efficient plant for Walsin	None
11. Project Undertaking	National Archives Administration, National Development Council and Construction and Planning Agency Ministry of the Interior	The contract is effective from July 7, 2020, until the expiration of the warranty period.	New project for National Archives	None
12. Project Undertaking	Taiwan Power Company Limited	The contract is effective from April 14, 2022, until the expiration of the warranty period.	The energy storage system at Longtan Ultra-High Voltage Substation (E/S).	None
13. Land Joint Development Agreement	Mingtai Property Insurance Co., Ltd Dong'an Asset Development Management Co., Ltd.	The contract is effective from February 10, 2023, until the expiration of the warranty period.	Joint development of land located at No. 934, Section 2, Jilin Segment 2 in Zhongshan District, Taipei City.	None
14. Contract for the Construction Project of the TECO Mingtai Building	Fujiyu Construction Co., Ltd.	The contract is effective from June 17, 2023, until the expiration of the warranty period.	Construction project for the new building of TECO Mingtai.	None
15. Project Undertaking	Taiwan Power Company Limited	The contract is effective from August 29, 2023, until the expiration of the warranty period.	Contract for the turnkey project of the 161kV Static Synchronous Compensator (STATCOM) for the Zhangong Boosting Substation and Yongxing Switching Station.	None
16. Project Undertaking	Railway Bureau, Ministry of Transportation	The contract is effective from November 24, 2022, until the expiration of the warranty period.	Tainan Railway Underground Project E202Z Contract for Permanent Track Infrastructure, Telecommunications, Tunnel Ventilation, and Central Monitoring System Works.	None
17. Project Undertaking	Yixiangle International Co., Ltd.	The contract is effective from August 9, 2022, until the expiration of the warranty period.	Construction of Air Conditioning Equipment for the New Building Project of the Asia Pacific Empire Commercial Building".	None
18. Joint Venture Agreement	Torg An Asset Development Management Co., Ltd. Kingdom Construction Co., Ltd.	The contract is effective from March 26, 2021, until the expiration of the warranty period.	Joint Development of 16 Parcels of Land in Hongfu Section, Xinzhuang District, New Taipei City.	Urban renewal is carried out in accordance with the "Urban Renewal Act," and executed through a joint development approach.

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Balance Sheet

A. Parent-only Condensed Balance Sheet

Unit: NT\$thousand

Year		Five-Year Financial Summary				
Item		2019	2020	2021	2022	2023
Current assets		9,287,505	10,468,388	12,524,083	11,921,611	12,531,669
Property, plant and equipment		3,520,118	3,093,090	3,089,295	2,724,752	2,990,017
Intangible assets		0	0	19	27,189	17,302
Other assets		62,737,576	68,034,837	94,720,319	85,004,956	83,363,867
Total assets		75,545,199	81,596,315	110,333,716	99,678,508	98,902,855
Current liabilities	Before distribution	11,002,572	10,139,131	11,680,748	10,755,629	10,783,429
	After distribution	12,950,588	12,598,747	14,568,123	13,963,824	15,488,782(Note)
Non current liabilities		7,836,123	9,628,889	9,439,205	8,897,945	7,970,836
Total liabilities	Before distribution	18,838,695	19,768,020	21,119,953	19,653,574	18,754,265
	After distribution	20,786,711	22,227,636	24,007,328	22,861,769	23,459,618(Note)
Equity attributable to owners of parent		56,706,504	61,828,295	89,213,763	80,024,934	80,148,590
Capital stock		19,676,929	19,676,929	21,387,966	21,387,966	21,387,966
Capital surplus		7,389,577	7,386,901	9,529,520	9,575,822	9,629,730
Retained earnings	Before distribution	26,390,805	27,936,917	30,727,392	31,220,437	34,277,944
	After distribution	24,442,789	25,477,301	27,840,017	28,012,242	29,572,591(Note)
Other equity interest		3,570,756	7,339,258	28,080,595	18,352,419	15,364,660
Treasury Stocks		(321,563)	(511,710)	(511,710)	(511,710)	(511,710)
Non-Controlling Interest		0	0	0	0	0
Total shareholders' equity	Before distribution	56,706,504	61,828,295	89,213,763	80,024,934	80,148,590
	After distribution	54,758,488	59,368,679	86,326,388	76,816,739	75,443,237(Note)

Note : Amounts resolved by the board meeting dated on March 15th 2024

B. Consolidated Condensed Balance Sheet

Unit: NT\$thousand

Year		Five-Year Financial Summary				
Item		2019	2020	2021	2022	2023
Current assets		43,946,576	45,792,352	49,333,671	50,317,421	52,480,611
Fixed assets		16,742,830	15,912,788	17,402,116	19,131,777	20,290,504
Intangible assets		5,200,634	5,269,715	4,439,567	4,668,399	4,832,979
Other assets		33,204,364	38,704,216	65,437,096	52,485,513	49,709,696
Total assets		99,094,404	105,679,071	136,612,450	126,603,110	127,313,790
Current liabilities	Before distribution	20,293,826	19,618,968	23,074,011	22,653,920	22,634,485
	After distribution	22,241,842	22,078,584	25,961,386	25,862,115	27,339,838(Note)
Non Current liabilities		17,095,788	18,434,871	17,876,508	17,630,691	18,236,525
Total liabilities	Before distribution	37,389,614	38,053,839	40,950,519	40,284,611	40,871,010
	After distribution	39,337,630	40,513,455	43,837,894	43,492,806	45,576,363(Note)
Equity attributable to owners of parent		56,706,504	61,828,295	89,213,763	80,024,934	80,148,590
Capital stock		19,676,929	19,676,929	21,387,966	21,387,966	21,387,966
Capital surplus		7,389,577	7,386,901	9,529,520	9,575,822	9,629,730
Retained earnings	Before distribution	26,390,805	27,936,917	30,727,392	31,220,437	34,277,944
	After distribution	24,442,789	25,477,301	27,840,017	28,012,242	29,572,591(Note)
Other equity interest		3,570,756	7,339,258	28,080,595	18,352,419	15,364,660
Treasury Stocks		(321,563)	(511,710)	(511,710)	(511,710)	(511,710)
Non-Controll Interesting	Before distribution	4,998,286	5,796,937	6,448,168	6,293,565	6,294,190
	After distribution	4,998,286	5,796,937	6,448,168	6,293,565	6,294,190
Total shareholders' equity	Before distribution	61,704,790	67,625,232	95,661,931	86,318,499	86,442,780
	After distribution	59,756,774	65,165,616	92,774,556	83,110,304	81,737,427(Note)

Note : Amounts resolved by the board meeting dated on March 15th 2024

6.1.2 Condensed Statement of Income

A. Parent-Only Condensed Statement of Income

Unit: NT\$thousand

Item	Year	Five-Year Financial Summary				
		2019	2020	2021	2022	2023
Sales revenue		18,873,312	19,819,029	23,258,398	27,229,403	27,206,836
Gross profit		4,046,442	4,061,136	4,361,609	4,989,184	5,223,405
Operating profit		1,114,970	1,075,033	1,357,228	1,845,542	2,178,463
Non-operating income & expenses		2,387,349	2,583,162	3,998,521	2,270,799	4,580,599
Profit before income tax		3,502,319	3,658,195	5,355,749	4,116,341	6,759,062
Income from operations of continued segments - before tax		3,221,717	3,511,358	5,013,134	3,457,667	5,830,061
Income from discontinued departments		0	0	0	0	0
Profit for the year		3,221,717	3,511,358	5,013,134	3,457,667	5,830,061
Other Comprehensive Income for the year		2,453,917	3,751,272	20,968,385	(9,805,423)	(2,552,118)
Total Comprehensive Income for the year		5,675,634	7,262,630	25,981,519	(6,347,756)	3,277,943
Profit (loss) attributable to owners of parent		3,221,717	3,511,358	5,013,134	3,457,667	5,830,061
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		5,675,634	7,262,630	25,981,519	(6,347,756)	3,277,943
Total Comprehensive Income for the year profit (loss) attributable to non-controlling interest		0	0	0	0	0
Earnings per share		1.65	1.81	2.38	1.64	2.76

B. Consolidated Condensed Statement of Income

Unit: NT\$thousand

Item	Year	Five-Year Financial Summary				
		2019	2020	2021	2022	2023
Sales revenue		47,909,358	45,823,430	51,248,387	58,315,216	59,393,661
Gross profit		11,481,649	10,756,093	11,436,939	13,184,302	14,941,590
Operating profit		3,536,445	3,534,057	3,760,718	5,073,654	6,663,252
Non-operating income & expenses		903,009	865,691	2,391,160	348,171	1,610,892
Profit before income tax		4,439,454	4,399,748	6,151,878	5,421,825	8,274,144
Income from operations of continued segments - before tax		3,518,780	3,811,648	5,502,191	3,992,010	6,332,032
Income from discontinued departments		0	0	0	0	0
Profit for the year		3,518,780	3,811,648	5,502,191	3,992,010	6,332,032
Other Comprehensive Income for the year		2,520,910	3,791,939	21,474,459	(10,137,765)	(2,506,178)
Total Comprehensive Income for the year		6,039,690	7,603,587	26,976,650	(6,145,755)	3,825,854
Profit (loss) attributable to owners of parent		3,221,717	3,511,358	5,013,134	3,457,667	5,830,061
Profit (loss) attributable to non-controlling interest		297,063	300,290	489,057	534,343	501,971
Total Comprehensive Income for the year profit (loss) attributable to owners of parent		5,675,634	7,262,630	25,981,519	(6,347,756)	3,277,943
Total Comprehensive Income for the year profit (loss) attributable to non-controlling interest		364,056	340,957	995,131	202,001	547,911
Earnings per share		1.65	1.81	2.38	1.64	2.76

6.1.3 Auditors' Opinions in the Recent Five Years

Year	CPA Firm	CPA's Name	Auditing Opinion
2023	PricewaterhouseCoopers, Taiwan	Wu, Yu-Lung Chou, Chien-Hung	Unqualified Opinion(Other Item)
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)

6.2 Five-Year Financial Analysis

6.2.1 Parent-Only Five-Year Financial Analysis

Item		Year	Financial analysis in the past five years				
			2019	2020	2021	2022	2023
Financial structure (%)	Ratio of liabilities to assets		24.94	24.23	18.97	19.72	18.96
	Ratio of long-term capital to fixed assets		1,761.49	2,231.05	3,147.57	3,170.01	2,856.12
Solvency (%)	Current ratio		84.41	103.25	107.23	110.84	116.21
	Quick ratio		48.97	63.53	57.23	58.81	51.47
	Times interest earned ratio		35.91	41.15	79.67	57.20	99.30
Operating ability	Accounts receivable turnover (turns)		5.47	5.52	5.39	5.93	6.58
	Average collection period		66.73	66.12	67.72	61.55	55.47
	Inventory turnover (turns)		5.20	5.57	5.78	6.17	6.32
	Accounts payable turnover (turns)		3.65	3.80	3.72	3.97	4.00
	Average days in sales		70.19	65.53	63.15	59.16	57.75
	Fixed assets turnover (turns)		5.20	5.99	7.46	9.37	9.52
	Total assets turnover (turns)		0.25	0.25	0.24	0.26	0.27
Profitability	Return on total assets (%)		4.45	4.56	5.29	3.35	5.93
	Return on stockholders' equity (%)		5.84	5.92	6.64	4.09	7.28
	Ratio of pre-tax income to issued capital		17.80	18.59	25.05	19.25	31.60
	Profit ratio (%)		17.07	17.72	21.85	12.70	21.43
	Earnings per share (\$)		1.65	1.81	2.38	1.64	2.76
Cash flow	Cash flow ratio (%)		16.85	25.00	17.73	43.57	32.57
	Cash flow adequacy ratio (%)		68.53	87.75	75.53	80.95	82.93
	Cash reinvestment ratio (%)		-0.13	0.09	-0.80	1.51	-1.23
Leverage	Operating leverage		4.19	4.23	3.42	2.97	2.66
	Financial leverage		1.10	1.09	1.05	1.04	1.03
Key Indicator	Sales growth (%)		-9.61	5.01	15.75	17.07	-0.08
	Profit after tax growth (%)		2.27	8.99	42.77	-31.03	68.61

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

1. Interest Coverage Ratio: The increase is mainly due to the increase in gross profit from operations, improved profitability of the North American subsidiary, and recognition of unrealized gains on financial assets by subsidiaries, leading to an increase in net profit for the period.
2. Return on Assets: The increase is primarily attributed to the increase in gross profit from operations, improved profitability of the North American subsidiary, and recognition of unrealized gains on financial assets by subsidiaries, resulting in an increase in net profit for the period.
3. Return on Equity: The increase is mainly due to the increase in gross profit from operations, improved profitability of the North American subsidiary, and recognition of unrealized gains on financial assets by subsidiaries, leading to an increase in net profit for the period.

4. Ratio of Profit Before Tax to Paid-up Capital: The increase is primarily attributed to the increase in gross profit from operations, improved profitability of the North American subsidiary, and recognition of unrealized gains on financial assets by subsidiaries, resulting in an increase in profit before tax for the period.
5. Net Profit Margin: The increase is mainly due to the increase in gross profit from operations, improved profitability of the North American subsidiary, and recognition of unrealized gains on financial assets by subsidiaries, leading to an increase in net profit for the period.
6. Earnings per Share: The increase is primarily attributed to the increase in gross profit from operations, improved profitability of the North American subsidiary, and recognition of unrealized gains on financial assets by subsidiaries, resulting in an increase in net profit for the period.
7. Cash Flow Ratio: The decrease is mainly due to the recognition of revenue from engineering projects based on completion progress and an increase in contract assets that have not yet been converted into cash, resulting in a decrease in cash flows from operating activities.
8. Cash Reinvestment Ratio: The decrease is primarily due to the recognition of revenue from engineering projects based on completion progress and an increase in contract assets that have not yet been converted into cash, resulting in a decrease in cash flows from operating activities.
9. Growth Rate of Net Profit after Tax: The increase is mainly attributed to the increase in gross profit from operations and increased investment income recognized under the equity method compared to the previous period.

6.2.2 Consolidated Five-Year Financial Analysis-IFRS

Item		Year	Financial analysis in the past five years				
			2019	2020	2021	2022	2023
Financial structure (%)	Ratio of liabilities to assets		37.73	36.01	29.98	31.82	32.10
	Ratio of long-term capital to fixed assets		414.38	483.48	686.12	495.23	465.78
Solvency (%)	Current ratio		216.55	233.41	213.81	222.11	231.86
	Quick ratio		157.24	175.05	148.42	152.78	160.88
	Times interest earned ratio		17.95	19.59	31.51	27.58	26.66
Operating ability	Accounts receivable turnover (turns)		4.59	4.41	4.69	5.08	5.08
	Average collection period		79.52	82.77	77.83	71.85	71.85
	Inventory turnover (turns)		3.21	3.36	3.42	3.41	3.43
	Accounts payable turnover (turns)		4.83	4.58	4.33	4.45	4.64
	Average days in sales		113.71	108.63	106.73	107.04	106.41
	Fixed assets turnover (turns)		2.81	2.81	3.29	3.19	3.01
	Total assets turnover (turns)		0.50	0.45	0.42	0.44	0.47
Profitability	Return on total assets (%)		3.90	3.91	4.67	3.16	5.19
	Return on stockholders' equity (%)		5.86	5.89	6.74	4.39	7.33
	Ratio of Pre-tax income to issued capital (%) (Note7)		22.56	22.36	28.76	25.35	38.69
	Profit ratio (%)		7.34	8.32	10.74	6.85	10.66
	Earnings per share (\$)		1.65	1.81	2.38	1.64	2.76
Cash flow	Cash flow ratio (%)		29.21	27.97	17.84	28.15	27.54
	Cash flow adequacy ratio (%)		126.69	134.73	126.64	117.78	113.89
	Cash reinvestment ratio (%)		3.82	2.70	0.88	2.50	1.17
Leverage	Operating leverage		3.93	3.72	2.88	2.87	2.32
	Financial leverage		1.08	1.07	1.04	1.04	1.05
Key Indicator	Sales growth (%)		-4.38	-4.35	11.84	13.79	1.85
	Profit after tax growth (%)		1.23	8.32	44.35	-27.45	58.62

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

1. Return on Assets: The increase is primarily due to the increase in revenue for the period and recognition of unrealized gains on financial assets, leading to an increase in net profit for the period.
2. Return on Equity: The increase is mainly attributed to the increase in revenue for the period and recognition of unrealized gains on financial assets, resulting in an increase in net profit for the period.
3. Net Profit Margin: The increase is mainly due to the increase in revenue for the period and recognition of unrealized gains on financial assets, leading to an increase in net profit for the period.
4. Earnings per Share: The increase is primarily attributed to the increase in revenue for the period and recognition of unrealized gains on financial assets, resulting in an increase in net profit for the period.
5. Cash Reinvestment Ratio: The decrease is mainly due to an increase in contract assets recognized based on billing recovery schedules for engineering projects, resulting in a decrease in cash flows from operating activities.
6. Growth Rate of Net Profit after Tax: The increase is mainly due to the increase in revenue for the period and recognition of unrealized gains on financial assets, resulting in an increase in net profit for the period.

6.3 Inspection Report of Audit Committee

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

The Audit Committee has duly inspected and approved the financial statements for 2023 (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 2024

TECO Electric & Machinery Co., Ltd

Audit Committee Convener : Wei-Chi Liu

Date: March 15, 2024

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2023 AND 2022

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of TECO Electric & Machinery Co., Ltd. as at December 31, 2023 and 2022, 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, 2023 and 2022, 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.

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 2023 financial statements are stated as follows:

Revenue recognition of export sales of Green Mechatronic Solution Business Group

Description

Refer to Note 4(31) 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\$4,151,041 thousand and NT\$4,141,796 thousand, both constituting 4% of the related total assets as of December 31, 2023 and 2022, and the comprehensive income amounting to NT\$15,635 thousand and NT\$245,915 thousand, constituting 0.48% and (4%) 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 15, 2024

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

			December 31, 2023		December 31, 2022			
					(Adjusted)			
Assets			Notes	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1) and 8	\$	800,854	1	\$	805,394	1
1140	Current contract assets			3,522,415	4		2,112,996	2
1150	Notes receivable, net	6(4)		209,272	-		269,696	-
1160	Notes receivable - related parties	7		210,307	-		573,028	1
1170	Accounts receivable, net	6(4)		2,109,068	2		1,976,266	2
1180	Accounts receivable - related parties	7		1,276,082	1		1,578,608	2
1200	Other receivables			125,467	-		96,669	-
1210	Other receivables - related parties	6(6) and 7		526,654	1		550,186	1
130X	Inventories, net	6(5)		3,192,675	3		3,396,654	3
1410	Prepayments			266,467	-		86,056	-
1470	Other current assets	6(1) and 8		292,408	1		476,058	-
11XX	Total current assets			12,531,669	13		11,921,611	12
Non-current assets								
1510	Non-current financial assets at fair value through profit or loss	6(2)		2,344,285	2		2,155,192	2
1517	Non-current financial assets at fair value through other comprehensive income	6(3)		14,735,961	15		16,091,157	16
1550	Investments accounted for under equity method	6(6)		63,586,467	64		63,565,377	64
1600	Property, plant and equipment, net	6(7) and 7		2,990,017	3		2,724,752	3
1755	Right-of-use assets	6(8) and 7		46,744	-		121,532	-
1760	Investment property, net	6(9)		1,987,814	2		2,365,935	2
1780	Intangible assets	6(10)		17,302	-		27,189	-
1840	Deferred income tax assets	6(27)		566,577	1		573,483	1
1900	Other non-current assets	6(11)		96,019	-		132,280	-
15XX	Total non-current assets			86,371,186	87		87,756,897	88
1XXX	Total assets		\$	98,902,855	100	\$	99,678,508	100

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	(Adjusted) AMOUNT	%
	Current liabilities					
2120	Current financial liabilities at fair value through profit or loss	6(12)	\$ 5,503	-	\$ 3,845	-
2126	Current financial liabilities for hedging	6(13)	5,025	-	-	-
2130	Current contract liabilities	6(21)	1,124,814	1	1,145,375	1
2150	Notes payable		27,992	-	57,919	-
2160	Notes payable - related parties	7	-	-	64,712	-
2170	Accounts payable		3,678,665	4	4,180,733	4
2180	Accounts payable - related parties	7	1,597,346	2	1,347,033	2
2200	Other payables		3,333,090	3	3,001,050	3
2220	Other payables - related parties	7	209,777	-	168,513	-
2230	Current income tax liabilities	6(27)	480,737	1	408,383	1
2250	Provisions for liabilities - current		100,516	-	92,691	-
2280	Current lease liabilities	6(8) and 7	10,916	-	91,479	-
2399	Other current liabilities, others		209,048	-	193,896	-
21XX	Total current liabilities		<u>10,783,429</u>	<u>11</u>	<u>10,755,629</u>	<u>11</u>
	Non-current liabilities					
2530	Corporate bonds payable	6(14)	5,000,000	5	5,000,000	5
2540	Long-term borrowings	6(15)	250,000	-	1,350,000	2
2550	Provisions for liabilities - non-current		94,079	-	106,678	-
2570	Deferred income tax liabilities	6(27)	1,452,270	2	1,234,836	1
2580	Non-current lease liabilities	6(8) and 7	8,468	-	8,467	-
2600	Other non-current liabilities	6(16)	1,166,019	1	1,197,964	1
25XX	Total non-current liabilities		<u>7,970,836</u>	<u>8</u>	<u>8,897,945</u>	<u>9</u>
2XXX	Total liabilities		<u>18,754,265</u>	<u>19</u>	<u>19,653,574</u>	<u>20</u>
	Equity					
	Share capital	6(17)				
3110	Common stock		21,387,966	22	21,387,966	21
	Capital surplus	6(18)				
3200	Capital surplus		9,629,730	9	9,575,822	9
	Retained earnings	6(19)				
3310	Legal reserve		8,237,099	8	7,899,057	8
3320	Special reserve		3,640,779	4	3,640,779	4
3350	Unappropriated retained earnings		22,400,066	23	19,680,601	20
	Other equity interest	6(20)				
3400	Other equity interest		15,364,660	16	18,352,419	19
3500	Treasury stocks	6(6)(17)	(511,710)	(1)	(511,710)	(1)
3XXX	Total equity		<u>80,148,590</u>	<u>81</u>	<u>80,024,934</u>	<u>80</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 98,902,855</u>	<u>100</u>	<u>\$ 99,678,508</u>	<u>100</u>

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, 2023 AND 2022

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

Items	Notes	Year ended December 31			
		2023		2022	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(21) and 7	\$ 27,206,836	100	\$ 27,229,403	100
5000 Operating costs	6(5)(16)(26) and 7	(21,933,283)	(81)	(22,204,807)	(82)
5900 Net operating margin		5,273,553	19	5,024,596	18
5910 Unrealized profit from sales	7	(461,280)	(2)	(411,132)	(1)
5920 Realized profit from sales		411,132	2	375,720	1
5950 Net operating margin		5,223,405	19	4,989,184	18
Operating expenses	6(16)(26), 7 and 12(2)				
6100 Selling expenses		(1,848,247)	(7)	(2,006,530)	(7)
6200 General and administrative expenses		(611,705)	(2)	(595,895)	(2)
6300 Research and development expenses		(580,808)	(2)	(542,554)	(2)
6450 Expected credit impairment (loss) profit		(4,182)	-	1,337	-
6000 Total operating expenses		(3,044,942)	(11)	(3,143,642)	(11)
6900 Operating profit		2,178,463	8	1,845,542	7
Non-operating income and expenses					
7100 Interest income	6(22)	26,034	-	9,890	-
7010 Other income	6(3)(9)(23) and 7	1,191,554	4	991,812	3
7020 Other gains and losses	6(2)(12)(24)	(322,334)	(1)	(481,909)	(2)
7050 Finance costs	6(8)(25) and 7	(68,758)	-	(73,251)	-
7070 Share of profit of subsidiary, associates and joint ventures accounted for under equity method	6(6)	3,754,103	14	1,824,257	7
7000 Total non-operating income and expenses		4,580,599	17	2,270,799	8
7900 Profit before income tax		6,759,062	25	4,116,341	15
7950 Income tax expense	6(27)	(929,001)	(4)	(658,674)	(2)
8200 Profit for the year		\$ 5,830,061	21	\$ 3,457,667	13

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

		Year ended December 31			
		2023		2022	
Items	Notes	AMOUNT	%	AMOUNT	%
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive (loss) income, before tax, actuarial losses on defined benefit plans	6(16)			
		(\$ 31,149)	-	\$ 56,332	-
8316	Unrealised gains and losses on valuation of investments measured at fair value through other comprehensive income	6(3)(20)			
		(1,350,847)	(5)	4,190,884	15
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				
		(1,338,532)	(5)	(15,632,304)	(57)
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
		(2,720,528)	(10)	(11,385,088)	(42)
Other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Currency translation differences of foreign operations	6(20)			
		167,213	1	1,910,986	7
8368	(Losses) gains on hedging instrument				
		(5,025)	-	-	-
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(20)(27)			
		6,222	-	(331,321)	(1)
8360	Components of other comprehensive loss that will be reclassified to profit or loss				
		168,410	1	1,579,665	6
8300	Other comprehensive loss for the year				
		(\$ 2,552,118)	(9)	(\$ 9,805,423)	(36)
8500	Total comprehensive income (loss) for the year				
		\$ 3,277,943	12	(\$ 6,347,756)	(23)
Earnings per share (in dollars)					
9750	Basic earnings per share	6(28)			
		\$ 2.76		\$ 1.64	
9850	Diluted earnings per share				
		\$ 2.76		\$ 1.64	

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, 2023 AND 2022
 (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	Gains (losses) on hedging instruments		
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	6(20)	-	-	-	-	3,457,667	-	-	-	-	3,457,667
Other comprehensive income (loss) for the year		-	-	-	-	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
2023											
Balance at January 1,2023		\$ 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
Profit for the year		-	-	-	-	5,830,061	-	-	-	-	5,830,061
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	(43,402)	173,435	(2,677,126)	(5,025)	-	(2,552,118)
Total comprehensive income		-	-	-	-	5,786,659	173,435	(2,677,126)	(5,025)	-	3,277,943
Appropriations of 2022 earnings	6(19)	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	338,042	-	(338,042)	-	-	-	-	-
Cash dividends		-	-	-	-	(3,208,195)	-	-	-	-	(3,208,195)
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	53,908	-	-	-	-	-	-	-	53,908
Disposal of investments in equity instruments at fair value through other comprehensive income	6(20)	-	-	-	-	479,043	-	(479,043)	-	-	-
Balance at December 31,2023		\$ 21,387,966	\$ 9,629,730	\$ 8,237,099	\$ 3,640,779	\$ 22,400,066	(\$ 2,280,016)	\$ 17,649,701	(\$ 5,025)	(\$ 511,710)	\$ 80,148,590

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 6,759,062	\$ 4,116,341
Adjustments			
Adjustments to reconcile profit (loss)			
Net (gain) loss on financial assets at fair value through profit or loss	6(2)(24)	(242,423)	143,577
Net loss on financial liabilities at fair value through profit or loss	6(12)(24)	15,960	17,281
Expected credit impairment loss (gain)	12(2)	4,182	(1,337)
Interest income	6(22)	(26,034)	(9,890)
Interest expense	6(25)	66,651	70,880
Dividend income	6(23)	(646,658)	(616,443)
Changes in unrealized gain from downstream sales		50,147	35,412
Share of profit of associates and joint ventures accounted for under the equity method	6(6)	(3,754,103)	(1,824,257)
Depreciation, amortization and net gain or loss on disposal of property, plant and equipment, net	6(7)(8)(9)(24)(26)	420,476	413,615
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		(1,409,419)	209,237
Notes receivable		60,428	(34,927)
Notes receivable - related parties		362,721	(192,871)
Accounts receivable		(141,831)	568,840
Accounts receivable - related parties		301,651	(4,984)
Other receivables		(23,080)	7,158
Other receivables - related parties		23,532	56,076
Inventories		203,979	76,853
Prepayments		(180,411)	(31,066)
Other current assets		21,659	(77,878)
Financial assets at fair value through profit or loss - non-current		53,330	23,681
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss-current		(14,302)	(13,436)
Current contract liabilities		(20,561)	166,165
Notes payable		(29,927)	1,850
Notes payable - related parties		(64,712)	(11,705)
Accounts payable		(502,068)	190,979
Accounts payable - related parties		250,313	(78,945)
Other payables		345,233	139,051
Other payables - related parties		41,264	(11,669)
Provisions for liabilities - current		7,826	(13,053)
Provisions for liabilities - non-current		(12,600)	106,678
Other current liabilities		15,152	38,580
Other non-current liabilities		(62,664)	(104,467)
Cash inflow generated from operations		1,872,773	3,355,326
Interest received	6(22)	26,034	9,890
Dividends received		2,307,121	1,776,932
Payment of interest		(67,150)	(73,811)
Payment of income tax		(626,085)	(381,714)
Net cash flows from operating activities		3,512,693	4,686,623

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in restricted bank deposit	8	\$ 161,991	\$ 588,890
Increase in non-current financial assets at fair value through other comprehensive income		-	(150,000)
Decrease in non-current financial assets at fair value through other comprehensive income		4,349	9,129
Increase in investments accounted for under equity method		-	(118,377)
Proceeds from disposal of property, plant and equipment		4,789	-
Acquisition of property, plant and equipment	6(7)(29)	(209,662)	(225,570)
Increase in deferred expenses		(12,481)	(36,826)
Increase in refundable deposits		(2,313)	(7,425)
Dividends received		646,658	616,443
Proceeds from disposal of investments accounted for under the equity method		257,904	10,875
Increase in other non-current assets		31,414	16,557
Acquisition of intangible assets		(1,021)	(34,527)
Net cash flows from investing activities		881,628	669,169
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term loans		-	(545,307)
Repayments of bonds	6(14)(30)	-	(1,000,000)
Decrease in long-term loans		(1,100,000)	(650,000)
Cash dividends paid	6(19)	(3,208,195)	(2,887,375)
Lease liabilities paid		(90,666)	(82,937)
Net cash flows used in financing activities		(4,398,861)	(5,165,619)
Net (decrease) increase in cash and cash equivalents		(4,540)	190,173
Cash and cash equivalents at beginning of year		805,394	615,221
Cash and cash equivalents at end of year		\$ 800,854	\$ 805,394

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, 2023 AND 2022

(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, 2024.

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[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became 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
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

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

Amendments to IAS 12, ‘International tax reform - pillar two model rules’

The amendments give companies temporary relief from accounting for deferred income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD). An entity shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

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

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	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.	

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025
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 Material 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 recognised 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

- (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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised and derecognised 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 recognised and derecognised 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 recognised 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 recognised 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 derecognises 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 recognised 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 recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised 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 recognise 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 recognised 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 recognised 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 recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised 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 recognise 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 recognises 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 recognised 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 recognised 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 recognised 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 recognised 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 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 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:
- Fixed payments, less any lease incentives receivable; and
 - 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:
- The amount of the initial measurement of lease liability; and
 - 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 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 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 recognised.
- B. The recoverable amounts of goodwill and intangible assets with an indefinite useful life are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are 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 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 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 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 derecognised 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 recognised 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 recognised.

(25) Hedge accounting

A. At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements.

B. The Company designates the hedging relationship as follows:

Cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

D. Cash flow hedges

(a) The cash flow hedge reserve associated with the hedged item is adjusted to the lower of the following (in absolute amounts):

- i. the cumulative gain or loss on the hedging instrument from inception of the hedge; and
- ii. the cumulative change in fair value of the hedged item from inception of the hedge.

(b) The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income. The gain or loss on the hedging instrument relating to the ineffective portion is recognised in profit or loss.

(c) The amount that has been accumulated in the cash flow hedge reserve in accordance with (a) is accounted for as follows:

- i. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Company shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or liability.
- ii. For cash flow hedges other than those covered by i. above, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.
- iii. If that amount is a loss and the Company expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

(d) When the hedging instrument expires, or is sold, terminated, exercised or when the hedging relationship ceases to meet the qualifying criteria, if the forecast transaction is still expected to occur, the amount that has been accumulated in the cash flow hedge reserve shall remain in the cash flow hedge reserve until the forecast transaction occurs; if the forecast transaction is no longer expected to occur, the amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

(26) Provisions

Provisions (including product warranties, etc.) are recognised 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 recognised as interest expense. Provisions are not recognised for future operating losses.

(27) 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 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 Company in current period or prior period. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in 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 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 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 recognises expense when it can no longer withdraw an offer of termination benefits or it recognises 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 recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(28) 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 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 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 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 and does not give rise to equal taxable and deductible temporary differences. 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 recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred 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.

(29) 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.

(30) 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.

(31) 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 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 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 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 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 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 Company provides installation and construction service of electrification products. Revenue from providing services is recognised 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 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.

(32) Government grants

Government grants are recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

(33) 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 recognised 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 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.

(34) 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 recognised 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, 2023	December 31, 2022
Cash on hand and revolving funds	\$ 327	\$ 306
Checking accounts and demand deposits	133,840	153,493
Time deposits	666,687	651,595
	<u>\$ 800,854</u>	<u>\$ 805,394</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, 2023 and 2022, certain bank deposits amounting to \$56,876 and \$218,867, respectively, were restricted due to earmarked construction projects (listed as '1470 Other current assets'). Please refer to Note 8 for details.

C. According to IFRS Q&A amended by the competent authority on January 5, 2024, the Company reclassified the undrawn balance of deposits account for offshore funds which applies "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act" from other current assets to cash and cash equivalents, which was retrospectively reclassified to December 31, 2022. As of December 31, 2023 and 2022, cash and cash equivalents was increased and other current assets was decreased by \$485 and \$478.

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

Items	December 31, 2023	December 31, 2022
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed and OTC stocks	\$ 869,386	\$ 869,386
Non-listed and OTC stocks	810,394	810,394
Money Market Fund	154,171	190,606
	<u>1,833,951</u>	<u>1,870,386</u>
Valuation adjustment	510,334	284,806
	<u>\$ 2,344,285</u>	<u>\$ 2,155,192</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, 2023	For the year ended December 31, 2022
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	<u>\$ 242,423</u>	<u>(\$ 143,577)</u>

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

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

Items	December 31, 2023	December 31, 2022
Non-current items:		
Listed and OTC stocks	\$ 9,562,800	\$ 9,567,149
Non-listed and OTC stocks	47,148	47,148
	9,609,948	9,614,297
Valuation adjustment	5,126,013	6,476,860
	<u>\$ 14,735,961</u>	<u>\$ 16,091,157</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 \$14,735,961 and \$16,091,157 as at December 31, 2023 and 2022, respectively.

B. Amounts recognised 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, 2023	For the year ended December 31, 2022
Fair value change recognized in other comprehensive income	(\$ 1,350,847)	\$ 4,190,884
Cumulative gains reclassified to retained earnings due to derecognition	\$ -	\$ -
Dividend income recognised in profit or loss		
Held at end of year	\$ 534,519	\$ 508,804
Derecognised during the year	\$ -	\$ -

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

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

(4) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	\$ 209,993	\$ 270,421
Less: Allowance for bad debts	(721)	(725)
	<u>\$ 209,272</u>	<u>\$ 269,696</u>
Accounts receivable	\$ 2,142,840	\$ 2,009,374
Less: Allowance for bad debts	(33,772)	(33,108)
	<u>\$ 2,109,068</u>	<u>\$ 1,976,266</u>

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

	December 31, 2023	December 31, 2022
Not past due	\$ 1,707,098	\$ 1,656,343
Up to 30 days	212,295	218,655
31 to 90 days	104,405	40,942
91 to 180 days	26,899	67,380
Over 180 days	302,136	296,475
	<u>\$ 2,352,833</u>	<u>\$ 2,279,795</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, 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, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 943,758	(\$ 82,554)	\$ 861,204
Work in progress	550,265	(467)	549,798
Finished goods	1,782,136	(105,712)	1,676,424
Inventory in transit	105,249	-	105,249
	<u>\$ 3,381,408</u>	<u>(\$ 188,733)</u>	<u>\$ 3,192,675</u>
	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>

The cost of inventories recognised as expense for the years ended December 31, 2023 and 2022 was \$12,933,477 and \$14,534,670, respectively, including \$82,791 and \$56,381 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, 2023 and 2022, respectively.

(6) Investments accounted for under the equity method

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries:		
1. Teco International Investment Co., Ltd.	\$ 1,907,757	\$ 1,640,215
2. Teco Holding USA Inc.	13,194,086	11,712,525
3. Teco Electric & Machinery (Pte) Ltd.	3,015,190	3,558,079
4. Tong-An Investment Co., Ltd.	18,488,584	19,309,155
5. United View Global Investment Co., Ltd.	8,493,028	8,290,872
6. Micropac Worldwide Investment (BVI)	801,963	1,212,898
7. Tong-An Assets Management & Development Co., Ltd.	5,192,684	5,298,140
8. Eagle Holding Co.	5,047,104	4,805,052
9. Century Development Corporation	1,379,756	1,375,539
10. Others	3,613,648	3,731,049
	<u>61,133,800</u>	<u>60,933,524</u>
Associates:		
1. Tung Pei Industrial Co., Ltd.	2,339,997	2,440,891
2. Lien Chang Electronic Enterprise Co., Ltd.	452,479	487,575
3. Others	121,471	114,519
	<u>2,913,947</u>	<u>3,042,985</u>
	64,047,747	63,976,509
Less: Unrealized profit from sales	(461,280)	(411,132)
	63,586,467	63,565,377
Less: Credit balance of investments accounted for using equity method such as Teco 3C (shown as deductions on other receivables - related parties and other non-current liabilities)	(13,607)	(14,037)
	<u>\$ 63,572,860</u>	<u>\$ 63,551,340</u>

The share of profit/loss of associates and joint ventures accounted for under equity method for the years ended December 31, 2023 and 2022 are as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Subsidiaries:		
1. Teco Holding USA Inc.	\$ 1,424,133	\$ 370,644
2. Teco Electric & Machinery (Pte) Ltd.	90,930	129,620
3. Tong-An Investment Co., Ltd.	564,448 (	565,550)
4. United View Global Investment Co., Ltd.	1,210,502	659,373
5. Eagle Holding Co.	67,839	308,783
6. Tong Dai Co., Ltd.	67,770	119,457
7. Century Development Co., Ltd.	97,997	93,672
8. Others	254,519	470,644
	<u>3,778,138</u>	<u>1,586,643</u>
Associates:		
1. Tung Pei Industrial Co., Ltd.	12,552	245,014
2. Lien Chang Electronic Enterprise Co., Ltd.	(29,847)	1,528
3. Others	(6,740)	(8,928)
	<u>(24,035)</u>	<u>237,614</u>
	<u>\$ 3,754,103</u>	<u>\$ 1,824,257</u>

A. Subsidiaries:

- (a) For the years ended December 31, 2023 and 2022, 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 \$15,635 and \$245,915 for the years ended December 31, 2023 and 2022, respectively. The related balance of investment accounted for using equity method was \$4,151,041 and \$4,141,796 as of December 31, 2023 and 2022, respectively.
- (b) As of December 31, 2023 and 2022, 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 2023 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, 2023	December 31, 2022		
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, 2023	December 31, 2022
Current assets	\$ 4,984,212	\$ 6,109,680
Non-current assets	7,431,032	7,634,024
Current liabilities	(3,110,385)	(3,861,672)
Non-current liabilities	(1,091,475)	(1,289,872)
Total assets	<u>\$ 8,213,384</u>	<u>\$ 8,592,160</u>
Share in associate's net assets	\$ 2,339,997	\$ 2,440,891
Goodwill	-	-
Carrying amount of the associate	<u>\$ 2,339,997</u>	<u>\$ 2,440,891</u>
	Lien Chang Electronic Enterprise Co., Ltd.	
	December 31, 2023	December 31, 2022
Current assets	\$ 1,148,508	\$ 1,465,956
Non-current assets	400,790	409,658
Current liabilities	(162,327)	(368,510)
Non-current liabilities	(50,016)	(66,450)
Total assets	<u>\$ 1,336,955</u>	<u>\$ 1,440,654</u>
Share in associate's net assets	\$ 452,479	\$ 487,575
Goodwill	-	-
Carrying amount of the associate	<u>\$ 452,479</u>	<u>\$ 487,575</u>

Statement of comprehensive income

	Tung Pei Industrial Co., Ltd.	
	For the year ended December 31, 2023	For the year ended December 31, 2022
Revenue	\$ 6,506,646	\$ 8,079,648
Profit for the period from continuing operations	26,062	756,821
Other comprehensive (loss) income, net of tax	(73,876)	61,597
Total comprehensive (loss) income	<u>(\$ 47,814)</u>	<u>\$ 818,418</u>
Dividends received from associates	<u>\$ 97,863</u>	<u>\$ 117,435</u>
	Lien Chang Electronic Enterprise Co., Ltd.	
	For the year ended December 31, 2023	For the year ended December 31, 2022
Revenue	\$ 589,537	\$ 1,000,634
(Loss) profit for the period from continuing operations	(94,093)	10,418
Other comprehensive (loss) income, net of tax	(4,417)	12,904
Total comprehensive (loss) income	<u>(\$ 98,510)</u>	<u>\$ 23,322</u>
Dividends received from associates	<u>\$ 3,754</u>	<u>\$ 16,894</u>

- (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, 2023 and 2022, the carrying amount of the Company's individually immaterial associates amounted to \$121,470 and \$114,519, respectively.

	For the year ended December 31, 2023	For the year ended December 31, 2022
Loss for the period		
from continuing operations	(\$ 6,740)	(\$ 8,928)
Total comprehensive loss	(\$ 6,740)	(\$ 8,928)

- (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, 2023	December 31, 2022
Lien Chang Electronic Enterprise Co., Ltd.	\$ 433,612	\$ 372,043

- 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, 2023</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)
	<u>\$ 1,343,990</u>	<u>\$ 514,385</u>	<u>\$ 390,342</u>	<u>\$ 27,105</u>	<u>\$ 705</u>	<u>\$ 52,552</u>	<u>\$ 395,673</u>	<u>\$ 2,724,752</u>
<u>2023</u>								
Opening net book amount	\$ 1,343,990	\$ 514,385	\$ 390,342	\$ 27,105	\$ 705	\$ 52,552	\$ 395,673	\$ 2,724,752
Additions	-	3,845	107,491	-	-	10,886	75,477	197,699
Disposals	-	(811)	(8,952)	-	(94)	-	(5,772)	(15,629)
Reclassifications	252,218	72,542	5,641	(5,342)	-	-	(419)	324,640
Depreciation charge	-	(22,255)	(91,905)	(4,288)	(104)	(16,385)	(106,508)	(241,445)
Closing net book amount	<u>\$ 1,596,208</u>	<u>\$ 567,706</u>	<u>\$ 402,617</u>	<u>\$ 17,475</u>	<u>\$ 507</u>	<u>\$ 47,053</u>	<u>\$ 358,451</u>	<u>\$ 2,990,017</u>
<u>At December 31, 2023</u>								
Cost	\$ 1,630,905	\$ 1,163,889	\$ 4,608,560	\$ 522,170	\$ 3,108	\$ 298,676	\$ 3,531,419	\$ 11,758,727
Accumulated depreciation and impairment	(34,697)	(596,183)	(4,205,943)	(504,695)	(2,601)	(251,623)	(3,172,968)	(8,768,710)
	<u>\$ 1,596,208</u>	<u>\$ 567,706</u>	<u>\$ 402,617</u>	<u>\$ 17,475</u>	<u>\$ 507</u>	<u>\$ 47,053</u>	<u>\$ 358,451</u>	<u>\$ 2,990,017</u>

	Leased assets -							
	Land	Buildings and structures	Machinery and equipment	machinery and equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Total
At January 1, 2022								
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>
2022								
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	<u>\$ 1,343,990</u>	<u>\$ 514,385</u>	<u>\$ 390,342</u>	<u>\$ 27,105</u>	<u>\$ 705</u>	<u>\$ 52,552</u>	<u>\$ 395,673</u>	<u>\$ 2,724,752</u>
At December 31, 2022								
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)
	<u>\$ 1,343,990</u>	<u>\$ 514,385</u>	<u>\$ 390,342</u>	<u>\$ 27,105</u>	<u>\$ 705</u>	<u>\$ 52,552</u>	<u>\$ 395,673</u>	<u>\$ 2,724,752</u>

- A. For the years ended December 31, 2023 and 2022, 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, 2023	December 31, 2022
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 3,201	\$ 76,297
Land	28,640	29,831
Transportation equipment (Business vehicles)	8,266	4,047
Machinery and equipment	6,637	11,357
	<u>\$ 46,744</u>	<u>\$ 121,532</u>
	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 75,283	\$ 77,773
Land	1,191	1,191
Transportation equipment (Business vehicles)	2,544	1,928
Machinery and equipment	5,143	3,960
	<u>\$ 84,161</u>	<u>\$ 84,852</u>

- C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets was \$9,373 and \$169,302, respectively.
- D. Interest expenses on lease liabilities for the years ended December 31, 2023 and 2022 were \$731 and \$1,809 and the cash outflows were \$160,038 and \$166,902, respectively.
- E. Expenses on short-term leases and leases of low-value assets for the years ended December 31, 2023 and 2022 were \$73,369 and \$81,875; \$2,076 and \$2,090, respectively.

(9) Investment property

	Land	Buildings and structures	Total
<u>At January 1, 2023</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>
<u>2023</u>			
Opening net book amount	\$ 1,416,293	\$ 949,642	\$ 2,365,935
Reclassifications	(252,218)	(72,542)	(324,760)
Depreciation charge	-	(53,361)	(53,361)
Closing net book amount	<u>\$ 1,164,075</u>	<u>\$ 823,739</u>	<u>\$ 1,987,814</u>
<u>At December 31, 2023</u>			
Cost	\$ 1,164,075	\$ 2,155,380	\$ 3,319,455
Accumulated depreciation and impairment	-	(1,331,641)	(1,331,641)
	<u>\$ 1,164,075</u>	<u>\$ 823,739</u>	<u>\$ 1,987,814</u>
	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>

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, 2023	For the year ended December 31, 2022
Rental income from investment property	\$ 93,820	\$ 95,114
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 16,786	\$ 11,201
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ 4,230	\$ 5,816

B. The fair value of the investment property held by the Company as at December 31, 2023 and 2022 was \$4,124,227 and \$4,886,231, 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, 2023	December 31, 2022
Computer Software		
<u>At January 1</u>		
Cost	\$ 36,522	\$ 1,995
Accumulated amortisation	(9,333)	(1,976)
	<u>\$ 27,189</u>	<u>\$ 19</u>
Opening net book amount	\$ 27,189	\$ 19
Additions	1,021	34,527
Amortisation charge	(10,908)	(7,357)
Closing net book amount	<u>\$ 17,302</u>	<u>\$ 27,189</u>
<u>At December 31</u>		
Cost	\$ 37,543	\$ 36,522
Accumulated amortisation	(20,241)	(9,333)
	<u>\$ 17,302</u>	<u>\$ 27,189</u>

Details of amortisation on intangible assets are as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Operating Cost	\$ 1,283	\$ 131
Operating Expense	9,625	7,226
	<u>\$ 10,908</u>	<u>\$ 7,357</u>

(11) Other non-current assets

	December 31, 2023	December 31, 2022
Prepayment for equipment	\$ 68,659	\$ 100,071
Refundable deposits	22,385	20,072
Deferred expenses	3,769	10,930
Other assets	1,206	1,207
	<u>\$ 96,019</u>	<u>\$ 132,280</u>

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

Items	December 31, 2023	December 31, 2022
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	<u>\$ 5,503</u>	<u>\$ 3,845</u>

- A. The Company recognised net loss of (\$15,960) and (\$17,281) on financial liabilities held for trading for the years ended December 31, 2023 and 2022, 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, 2023				
Financial instrument	Contract period	Contract amount (notional principal)		Fair value
Forward exchange contract				
SELL AUD/BUY USD	Nov. 16, 2023~Feb. 26, 2024	AUD	2,800,000	\$ 1,580
SELL EUR/BUY USD	Nov. 3, 2023~Mar. 28, 2024	EUR	1,350,000	795
SELL USD/BUY JPY	Nov. 27, 2023~Feb. 26, 2024	JPY	58,000,000	353
Interest rate swaps				
SELL USD/BUY TWD	Dec. 8, 2023~Jan. 25, 2024	USD	5,000,000	2,775
				<u>\$ 5,503</u>
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.

(13) Hedging financial assets and liabilities

	December 31, 2023			
	Assets		Liabilities	
	Current	Non-current	Current	Non-current
Cash flow hedges:				
<u>Exchange rate risk</u>				
Forward foreign exchange contracts	\$ -	\$ -	\$ 5,025	\$ -

A. As of December 31, 2022, the Company had no hedging financial assets and liabilities.

B. Hedge accounting is applied to remove the accounting inconsistency between the hedging instrument and the hedged item. To hedge the risk arising from foreign currency denominated future commercial transactions, the Company uses forward foreign exchange transactions to control the exchange rate risk under their acceptable range as the exchange rate fluctuations will change future cash flows.

C. Transaction information associated with the Company adopting hedge accounting is as follows:

Hedging instruments	Notional amount	Contract period	December 31, 2023		Changes in fair value in relation to recognising hedge ineffectiveness basis	Average price or fee (in dollars)	2023
			Assets carrying amount	Liabilities carrying amount			Gains (losses) on valuation of ineffective hedge that will be recognised in financial assets/liabilities at fair value through profit or loss
Cash flow hedges							
<u>Exchange rate risk</u>							
Forward foreign exchange transactions	USD 8,328	Nov. 28, 2023~ Feb. 26, 2024	\$ -	(\$ 5,025)	\$ -	\$ 30.54	\$ -

D. Cash flow hedge:

	2023
<u>Other equity - cash flow hedge reserve</u>	
At January 1	\$ -
Add: Gains (losses) on hedge effectiveness-amount recognised in other comprehensive income	(5,025)
At December 31	(\$ 5,025)

Exchange rate risk

To hedge exposed exchange rate risk arising from forecast input cost of construction in progress, the Company entered into a forward forecast purchase agreement of US dollar, and the hedge ratio is 1:1. The effective portion with respect to the changes in the fair value of the hedging instruments is deferred to recognise in the cash flow hedge reserve, which is under other comprehensive income, and will be directly included in the cost of construction in progress when the hedged items are subsequently recognised in construction in progress.

(14) Bonds payable

	December 31, 2023	December 31, 2022
Issuance of bonds payable	\$ 5,000,000	\$ 5,000,000

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, 2023
Long-term bank borrowings and commercial papers payable	Borrowing period is from July 23, 2023 to July 23, 2025; payable at maturity	1.63%	None	\$ 250,000

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. 30, 2021 to Dec. 31, 2024; payable at maturity	1.74%~1.90%	None	\$ 1,350,000

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, 2023 and 2022, the Company has undrawn borrowing facilities of \$19,080,669 and \$18,283,315, 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, 2023	December 31, 2022
Present value of defined benefit obligations	(\$ 1,300,346)	(\$ 1,392,185)
Fair value of plan assets	183,461	242,962
Net defined benefit liability	(\$ 1,116,885)	(\$ 1,149,223)

(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, 2023			
Balance at January 1	(\$ 1,392,185)	\$ 242,962	(\$ 1,149,223)
Current service cost	(2,547)	-	(2,547)
Interest (expense) income	(22,740)	3,378	(19,362)
	(1,417,472)	246,340	(1,171,132)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	1,779	1,779
Change in financial assumptions	(24,988)	-	(24,988)
Experience adjustments	(7,940)	-	(7,940)
	(32,928)	1,779	(31,149)
Pension fund contribution	-	77,065	77,065
Paid pension	144,161	(144,161)	-
Paid from the account	8,331	-	8,331
Transfer	(2,438)	2,438	-
Balance at December 31	(\$ 1,300,346)	\$ 183,461	(\$ 1,116,885)

	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)

- (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, 2023 and 2022 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, 2023	For the year ended December 31, 2022
Discount rate	1.40%	1.70%
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, 2023				
Effect on present value of defined benefit obligation	\$ 28,745	(\$ 55,965)	(\$ 55,609)	\$ 28,816
December 31, 2022				
Effect on present value of defined benefit obligation	\$ 44,863	(\$ 46,901)	(\$ 47,139)	\$ 44,652

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, 2024 amount to \$93,345.

(g) As of December 31, 2023, the weighted average duration of that retirement plan is 6.5 years.

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2023 and 2022 were \$74,663 and \$74,693, respectively.

(17) Share capital

A. As of December 31, 2023, 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, 2023	Year ended December 31, 2022
Balance at January 1 (December 31)	2,138,797	2,138,797

B. 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, 2023 and 2022, book value of the shares of the Company held by the subsidiaries amounted to both \$511,710.

Details are as follows:

	December 31, 2023		
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	\$ 14.92	\$ 46.80
An-Tai International Investment Co., Ltd.	2,826	10.37	46.80
Top-Tower Enterprises Co., Ltd.	77	9.37	46.80
Taiwan Pelican Express Co., Ltd.	7,070	26.89	46.80
	<u>29,513</u>		
	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>		

(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:

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

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

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

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land. As of December 31, 2023, 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 recognised dividends distributed to owners amounting to \$3,208,195 (\$1.5 (in dollars) per share) and \$2,887,375 (\$1.35 (in dollars) per share) for the years ended December 31, 2023 and 2022, respectively. On March 15, 2024, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2023 was \$4,705,353 at \$2.2 (in dollars) per share.

(20) Other equity items

	Unrealized gains (losses) on valuation	Hedging reserve	Currency translation	Total
At January 1, 2023	\$ 20,805,870	\$ -	(\$ 2,453,451)	\$ 18,352,419
Unrealized gains and losses on financial assets:				
–Company	(1,350,847)	-	-	(1,350,847)
–Subsidiaries, associates and joint venture	(1,326,279)	-	-	(1,326,279)
Revaluation transferred to retained earnings	(479,043)	-	-	(479,043)
Cash flow hedges:				
–Fair value loss	-	(5,025)	-	(5,025)
Currency translation differences:				
–Company	-	-	173,435	173,435
At December 31, 2023	<u>\$ 17,649,701</u>	<u>(\$ 5,025)</u>	<u>(\$ 2,280,016)</u>	<u>\$ 15,364,660</u>

	Unrealized gains (losses) on valuation	Hedging reserve	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
Cash flow hedges:				
–Fair value loss	-	-	-	-
Currency translation differences:				
–Company	-	-	1,579,665	1,579,665
At December 31, 2022	<u>\$ 20,805,870</u>	<u>\$ -</u>	<u>(\$ 2,453,451)</u>	<u>\$ 18,352,419</u>

(21) Operating revenue

	For the year ended December 31, 2023	For the year ended December 31, 2022
Revenue from customers	\$ 27,206,836	\$ 27,229,403

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, 2023	For the year ended December 31, 2022
Sales of Green Mechatronic Solution Business Group products	\$ 12,235,628	\$ 13,065,911
Sales of Air and Intelligent Life Business Group products	4,883,452	5,413,803
Others	303,636	267,351
Service revenue	372,340	533,189
Consruction contract	9,411,780	7,949,149
	\$ 27,206,836	\$ 27,229,403

B. Contract assets and liabilities

	For the year ended December 31, 2023	For the year ended December 31, 2022
Revenue recognized that was included in the contract liability balance at the beginning of the year		
Advance sales receipts	\$ 99,293	\$ 111,094

(22) Interest income

	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest income from bank deposits	\$ 26,021	\$ 9,861
Other interest income	13	29
	\$ 26,034	\$ 9,890

(23) Other income

	For the year ended December 31, 2023	For the year ended December 31, 2022
Rental income	\$ 98,794	\$ 109,722
Dividend income	646,658	616,443
Other non-operating income	446,102	265,647
	\$ 1,191,554	\$ 991,812

(24) Other gains and losses

	For the year ended December 31, 2023	For the year ended December 31, 2022
Net loss on financial liabilities at fair value through profit or loss	(\$ 15,960)	(\$ 17,281)
Net gain (loss) on financial assets at fair value through profit or loss	242,423	(143,577)
Net currency exchange gain	35,211	99,979
Loss on disposal of property, plant and equipment	(10,960)	(3,526)
Miscellaneous disbursements	(573,048)	(417,504)
	<u>(\$ 322,334)</u>	<u>(\$ 481,909)</u>

(25) Finance costs

	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest expense:		
Bank borrowings	\$ 32,692	\$ 28,802
Corporate bonds	33,000	40,182
Others	959	1,896
	<u>66,651</u>	<u>70,880</u>
Finance expenses	<u>2,107</u>	<u>2,371</u>
Finance costs	<u>\$ 68,758</u>	<u>\$ 73,251</u>

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

	For the year ended December 31, 2023	For the year ended December 31, 2022
Wages and salaries	\$ 1,849,979	\$ 1,853,224
Employees' compensation and directors' and supervisors' remuneration	614,241	408,598
Labor and health insurance fees	158,621	160,389
Pension costs	96,572	87,140
Other personnel expenses	100,334	94,138
Depreciation charges on property, plant and equipment and investment property	294,806	302,492
Depreciation charges on right-of-use assets and amortisation charges on intangible assets	114,710	107,597

A. The Company's employee benefit expenses are recognised 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, 2023 and 2022, employees' compensation was accrued at \$511,867 and \$282,888, respectively; while directors' and supervisors' remuneration was accrued at \$102,374 and \$125,710, respectively. The aforementioned amounts were recognised in salary expenses.
- D. For the year ended December 31, 2023, 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 \$409,494 and \$102,374, and the employees' compensation will be distributed in the form of cash.

The difference of \$40 and \$46,184 between employees' compensation of \$282,888 and directors' remuneration of \$125,710 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 2022 financial statements had been adjusted in the profit or loss of 2023.

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, 2023	For the year ended December 31, 2022
Current tax:		
Current tax on profits for the year	\$ 753,731	\$ 424,731
Tax on undistributed surplus earnings	-	91,885
Prior year income tax (overestimation) underestimation	(55,292)	7,008
Total current tax	<u>698,439</u>	<u>523,624</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>230,562</u>	<u>135,050</u>
Income tax expense	<u>\$ 929,001</u>	<u>\$ 658,674</u>

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

	For the year ended December 31, 2023	For the year ended December 31, 2022
Currency translation differences	<u>(\$ 6,222)</u>	<u>\$ 331,321</u>

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2023	For the year ended December 31, 2022
Tax calculated based on profit		
before tax and statutory tax rate	\$ 1,351,812	\$ 823,268
Effects from items disallowed	(365,629)	(250,189)
by tax regulation		
Overestimation (underestimation) of	7,927	(13,594)
prior year's net deferred tax assets and		
liabilities		
Effects by investment tax credits	(12,086)	(10,470)
Prior year income tax (overestimation)		
underestimation	(55,292)	7,008
Additional tax on undistributed	-	91,885
earnings		
Others	2,269	10,766
Income tax expense	<u>\$ 929,001</u>	<u>\$ 658,674</u>

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

For the year ended December 31, 2023

	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences				
— Deferred tax assets:				
Unrealized intercompany profit	\$ 102,239	\$ 12,901	\$ -	\$ 115,140
Impairment loss	96,779	-	-	96,779
Currency translation differences	160,716	-	6,222	166,938
Difference resulting from different useful lives of property, plant and equipment between financial and tax basis	29,149	-	-	29,149
Unrealized expenses	75,192	(15,461)	-	59,731
Permanent loss on investments	35,080	-	-	35,080
Loss on inventory	43,664	(19,633)	-	24,031
Over provision of allowance for doubtful accounts	1,886	(267)	-	1,619
Others	28,778	9,332	-	38,110
	<u>573,483</u>	<u>(13,128)</u>	<u>6,222</u>	<u>566,577</u>
— Deferred tax liabilities:				
Investment income from foreign investments	1,124,832	217,449	-	1,342,281
Land value incremental reserve	107,472	-	-	107,472
Others	2,532	(15)	-	2,517
	<u>1,234,836</u>	<u>217,434</u>	<u>-</u>	<u>1,452,270</u>
	<u>(\$ 661,353)</u>	<u>(\$ 230,562)</u>	<u>\$ 6,222</u>	<u>(\$ 885,693)</u>

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>

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

	December 31, 2023	December 31, 2022
Deductible temporary differences	\$ <u>387,120</u>	\$ <u>387,120</u>

E. The Company has not recognised taxable temporary differences associated with investment in certain subsidiaries as deferred tax liabilities. As of December 31, 2023 and 2022, the amounts of temporary difference unrecognised as deferred tax liabilities were \$5,107,288 and \$5,107,288, respectively.

F. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(28) Earnings per share

	For the year ended December 31, 2023		
	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	\$ 5,830,061	2,109,284	\$ 2.76

Note: The earnings per share were \$2.73 (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, 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.

(29) Supplemental cash flow information

Investing activities with partial cash payments:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Acquisition of property, plant and equipment	\$ 197,699	\$ 203,543
Add: Payables at beginning of the year	68,864	90,891
Less: Payables at end of the year	(56,901)	(68,864)
Cash paid	\$ 209,662	\$ 225,570

(30) Changes in liabilities from financing activities

	2023				
	Dividends payable (Note)	Bonds payable	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 27,860	\$ 5,000,000	\$ 1,350,000	\$ 99,946	\$ 6,477,806
Borrowing cost of lease	-	-	-	731	731
Recognition of right of use	-	-	-	9,373	9,373
Changes in cash flow from financing activities	-	-	(1,100,000)	(90,666)	(1,190,666)
Others	34,499	-	-	-	34,499
At December 31	<u>\$ 62,359</u>	<u>\$ 5,000,000</u>	<u>\$ 250,000</u>	<u>\$ 19,384</u>	<u>\$ 5,331,743</u>
	2022				
	Dividends payable (Note)	Bonds payable	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 28,353	\$ 6,000,000	\$ 2,000,000	\$ 12,826	\$ 8,041,179
Borrowing cost of lease	-	-	-	1,809	1,809
Recognition of right of use	-	-	-	169,302	169,302
Remeasurement	-	-	-	(1,054)	(1,054)
Changes in cash flow from financing activities	-	(1,000,000)	(650,000)	(82,937)	(1,732,937)
Others	(493)	-	-	-	(493)
At December 31	<u>\$ 27,860</u>	<u>\$ 5,000,000</u>	<u>\$ 1,350,000</u>	<u>\$ 99,946</u>	<u>\$ 6,477,806</u>

Note: Listed as '2200 Other payables'.

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)	Note 1	Taian Jaya Electric Sdn. Bhd. (Taian-Jaya)	"
Tesen Electric & Machinery Co., Ltd. (Tesen)	The subsidiary	Taian (Subic) Electric Co., Inc. (Taian Subic)	"
Information Technology Total Services Co., Ltd. (ITTS)	"	E-Joy International Co., Ltd. (E-Joy International)	"
Teco Electro Devices Co., Ltd. (Teco Electro)	"	An-Sheng Travel Co., Ltd. (An Sheng)	"
Teco Electric & Machinery (Pte) Ltd. (Teco Singapore)	"	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 2
Information Technology Total Service (Hang Zhu) Co., Ltd. (ITTS Hang Zhou)	"	P.T Teco Multiguna Electro (Teco Multiguna)	The subsidiary
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 3
An-Tai International Investment Co., Ltd. (An-Tai)	"	Universal Mailing Service Co., Ltd. (Universal)	The subsidiary
Micropac Worldwide Investment (BVI) (Micropac)	"	Teco Australia Pty. Ltd. (Teco Australia)	"
Jie-Zheng Property Service & Management Company (Jie-Zheng)	"	Jiangxi TECO Air Conditioning Equipment Co., Ltd. (Jiangxi Teco Air)	"
Tai-An Technology (Wuxi) Co., Ltd. (Tai-An Wuxi)	"	Century Tech. C&M Corp. (Century Tech. C&M)	"
P.T Teco Elektro Indonesia (P.T Teco)	"	Tong An Energy Co.,Ltd. (Tong An Energy)	"
Teco Group Science-Technology (Hang Zhou) Co., Ltd. (Teco Hang Zhou)	"	Teco EV Philippines Corporation (TECO EV)	Note 4

Names of related parties	Relationship with the Company	Names of related parties	Relationship with the Company
Information Technology Total Services (Xiamen) Ltd. (ITTS Xiamen)	The subsidiary	Teco Electric & Machinery Shd. Bhd. (STE Marketing SDN. BHD.)	The subsidiary
Fujian Teco Precision Co., Ltd. (Fujian Teco)	"	TEMICO MOTOR INDIA PRIVATE LIMITED (TEMICO MOTOR INDIA)	"
Taiwan Pelican Express Co., Ltd. (Pelican)	"	TECO-Westinghouse Motor Company, S.A. de C.V. (TEMX)	"
Top-Tower Enterprises Co., Ltd. (Top-Tower)	"	Fujio Food System Taiwan Co., Ltd (Fujio Food)	Associate
Ching Chi International Limited (Ching Chi)	"	Lien Chang Electronic Enterprise Co., Ltd. (Lien Chang)	"
Motovario S.p.A. (Motovario)	"	Taisan Electric CO., LTD. (Taisan)	"
United Development Corporation Ltd (United Development)	"	Qingdao TECO Century Advance High-tech Mechtronics Co., Ltd. (TECO Century)	"
Century Development Corporation Ltd. (Century Development)	"	Teco Middle East Electrical & Machinery Co., Ltd. (TME)	Note 6
Anneng Green Energy Co., Ltd. (Anneng Green Energy)	"	Teco-Motech Co., Ltd. (Teco-Motech)	"
TECO Westinghouse Motor Company S.A. de C.V. (TWMM)	"	Le-Li Co., Ltd. (Le-Li)	"
Teco Sun Energy Co., Ltd. (Teco Sun)	"	Royal Host Taiwan Co., Ltd. (Royal)	"
Asia Electric & Machinery (PTE) LTD. (AEM)	"	Tung Pei Industrial Co., Ltd. (Tung Pei)	"
Sankyo Co., Ltd. (Sankyo)	"	Zero Emission PowerTrain Co., Ltd. (ZEPT)	"
Teco Electric & Machinery B.V. (Teco Netherlands)	"	Tension Envelope Taiwan Co., Ltd. (Tension)	"
TYM Electric & Machinery Sdn. Bhd. (TYM)	"	Gen Mao International Corp. (Gen Mao)	"
Teco (Dong Guang) Air Conditioning Equipment Co., Ltd. (Teco Dong Guang)	"	Genmao Electronics (Suzhou) Co., Ltd. (Genmao Suzhou)	"
Unison Service Corporation (Unison)	"	TG Teco Vacuum Insulated Glass Corp. (TG Teco)	Note5
Baycom Opto-Electronics Technology Co., Ltd. (Baycom)	"	Teco Image System Co., Ltd. (Teco Image)	Other related party
Qingdao Teco Innovation Co., Ltd. (QingDao Teco Innovation)	"	An-Shin Food Service Co., Ltd. (An-Shin)	"
Shanghai Teco Electric & Machinery Co., Ltd. (Shanghai Teco)	"	YUBAN & COMPANY (Yuban)	"
TECO Elektrik Turkey A.S. (Turkey Teco)	"	Teco Technology Foundation (Teco Foundation)	"
Taian Electric Co., Ltd. (Taian)	"	YUBANTEC PHILIPPINES INC. (YUBAN PHILIPPINES)	"
Information Technology Total Services (Wuxi) Co., Ltd. (ITTS Wuxi)	"	Electrical Trading Co., Ltd. (Shanghai Xiangseng)	"

Note 1: After Tong Dai Co., Ltd. absorbed and merged with AM SMART Technology Co., Ltd. in the first quarter of 2023, AM SMART Technology Co., Ltd. was merged and dissolved, with Tong Dai Co., Ltd. as the surviving company.

Note 2: 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 3: This company was liquidated in 2022.

Note 4: The company has been resolved to liquidate in 2022.

Note 5: The company has been liquidated in 2022.

Note 6: Since the company sold its equity in TME to Ali Zaid Al Quraishi & Brothers Co. in the fourth quarter of 2023, TME has not been a related party of the company.

(2) Significant related party transactions

A. Sales

	For the year ended December 31, 2023	For the year ended December 31, 2022
Sales of goods and services:		
—Subsidiaries		
Teco Westinghouse	\$ 3,747,866	\$ 3,420,685
Others	5,585,299	6,495,670
—Associates	417,628	389,184
—Other related parties	27,747	31,231
	<u>\$ 9,778,540</u>	<u>\$ 10,336,770</u>
	For the year ended December 31, 2023	For the year ended December 31, 2022
Royalty income (shown as ‘7010 other income’):		
—Subsidiaries		
Teco Westinghouse	\$ 99,731	\$ 32,877
Wuxi Teco	89,348	71,955
Jiangxi Teco	19,541	16,128
Tai-An Wuxi	15,161	9,097
Motovario	12,164	11,667
Others	3,433	4,794
	<u>\$ 239,378</u>	<u>\$ 146,518</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 \$461,279 and \$411,132 (shown as ‘1550 investments accounted for under equity method’) for the years ended December 31, 2023 and 2022, 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, 2023	For the year ended December 31, 2022
Purchases of goods:		
—Subsidiaries		
Tesen	\$ 2,453,523	\$ 2,628,976
Others	3,667,459	4,164,331
—Associates	115,461	132,319
—Other related parties	10,031	13,691
	<u>\$ 6,246,474</u>	<u>\$ 6,939,317</u>

	For the year ended December 31, 2023	For the year ended December 31, 2022
Shipping expense:		
—Subsidiaries	<u>\$ 135,001</u>	<u>\$ 144,647</u>

	For the year ended December 31, 2023	For the year ended December 31, 2022
Service expense:		
—Subsidiaries	<u>\$ 125,158</u>	<u>\$ 126,188</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, 2023	December 31, 2022
Accounts and notes receivable		
—Subsidiaries		
Tong Dai	\$ 277,366	\$ 373,399
Teco Westinghouse	260,836	231,858
Teco Australia	237,779	261,529
Others	651,245	1,059,897
—Associates	69,107	218,947
—Other related parties	9,245	1,644
	<u>1,505,578</u>	<u>2,147,274</u>
Add: exchange (loss) gain	<u>(16,845)</u>	<u>5,830</u>
	1,488,733	2,153,104
Less: allowance for loss	<u>(2,344)</u>	<u>(1,468)</u>
	<u>\$ 1,486,389</u>	<u>\$ 2,151,636</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, 2023	December 31, 2022
Accounts and notes payable		
—Subsidiaries		
Wuxi Teco	\$ 838,523	\$ 860,696
Tai-An Wuxi	311,455	197,411
Others	459,579	320,705
—Associates	30,856	36,149
—Other related parties	1,488	3,705
	<u>1,641,901</u>	<u>1,418,666</u>
Add: exchange gain	(44,555)	(6,921)
	<u>\$ 1,597,346</u>	<u>\$ 1,411,745</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. Other receivables

	December 31, 2023	December 31, 2022
—Subsidiaries		
Teco Westinghouse	\$ 101,684	\$ 67,553
QinDao Teco	67,232	75,736
Others	347,821	377,721
—Associates	13,587	29,862
—Other related parties	799	2,370
	<u>531,123</u>	<u>553,242</u>
Add: exchange loss	(2,724)	(610)
	<u>528,399</u>	<u>552,632</u>
Less: Allowance for doubtful accounts and credit balance of long-term investment	(1,745)	(2,446)
	<u>\$ 526,654</u>	<u>\$ 550,186</u>

The above represents other receivables for rental.

F. Other payables

	December 31, 2023	December 31, 2022
—Subsidiaries	\$ 205,377	\$ 164,399
—Associates	4,936	3,558
—Other related parties	129	361
	<u>210,442</u>	<u>168,318</u>
Add: exchange (gain) loss	(665)	195
	<u>\$ 209,777</u>	<u>\$ 168,513</u>

Other payables mainly consist of rent payable, etc.

G. Endorsements and guarantees provided to related parties

	December 31, 2023	December 31, 2022
—Subsidiaries	\$ 1,287,040	\$ 1,249,780

H. 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, 2023	For the year ended December 31, 2022
Associates	\$ 2,187	\$ 151,334

(c) Lease liabilities

(i) Outstanding balance:

	December 31, 2023	December 31, 2022
Associates	\$ 2,618	\$ 82,676

(ii) Interest expense

	For the year ended December 31, 2023	For the year ended December 31, 2022
Associates	\$ 580	\$ 1,663

I. 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, 2023	For the year ended December 31, 2022
Salaries and other short-term employee benefits	\$ 150,022	\$ 142,411
Salaries and other long-term employee benefits	26,416	10,416
Post-employment benefits	780	1,027
	\$ 177,218	\$ 153,854

8. Pledged Assets

Pledged asset	Book value		Purpose
	December 31, 2023	December 31, 2022	
Other current assets - bank deposits	\$ 56,876	\$ 218,867	Restricted by the regulations of the management, utilization, and taxation of repatriated offshore funds

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

None.

(2) Commitments

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

	December 31, 2023	December 31, 2022
Property, plant and equipment	\$ 154,790	\$ 84,603

B. As of December 31, 2023, the outstanding usance L/C used for acquiring raw materials and equipment was \$72,398.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

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. As of March 15, 2024, the Company and Fu Chang had reached a settlement.

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

The related information of the Company's financial assets (cash and cash equivalents, notes receivable, accounts receivable, other receivables (including related parties), guarantee deposits paid, restricted bank deposits, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income) and financial liabilities (notes payable, accounts payable, other payables (including related parties), lease liabilities (current/non-current), bonds payable (including current portion), long-term borrowings (including current portion), hedging financial liabilities, guarantee deposit received, financial liabilities at fair value through profit or loss) is provided in the consolidated balance sheet and Note 6.

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 recognised 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(13).
- 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, 2023

Sensitivity Analysis								
Foreign currency amount (In thousands)				Degree of variation	Effect on profit or loss	Effect on other comprehensive income		
(Foreign currency: functional currency)								
Financial assets								
Monetary items								
USD:NTD	USD	\$	56,484	30.7050	\$	17,343	\$	-
EUR:NTD	EUR		9,891	33.9800		3,361		-
JPY:NTD	JPY		351,170	0.2172		763		-
RMB:NTD	RMB		23,100	4.3270		1,000		-
AUD:NTD	AUD		8,140	20.9800		1,708		-
Non-monetary items								
USD:NTD	USD		746,071	30.7050				-
EUR:NTD	EUR		148,532	33.9800				-
SGD:NTD	SGD		129,463	23.2900				-
VND:NTD	VND		226,099,231	0.0013				-
MRD:NTD	MRD		8,777	6.7058				-
Financial liabilities								
Monetary items								
USD:NTD	USD		55,713	30.7050				-
EUR:NTD	EUR		727	33.9800				-
JPY:NTD	JPY		29,440	0.2172				-
RMB:NTD	RMB		1,557	4.3270				-

December 31, 2022

	Sensitivity Analysis					
	Foreign currency amount			Effect on profit or loss		
	(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	7,136	32.7200	233,490	1%	2,335	-
JPY:NTD	381,130	0.2324	88,575	1%	886	-
RMB:NTD	23,439	4.4080	103,319	1%	1,033	-
AUD:NTD	4,479	20.8300	93,298	1%	933	-
<u>Non-monetary items</u>						
USD:NTD	705,005	30.7100	21,650,693			
EUR:NTD	146,854	32.7200	4,805,052			
SGD:NTD	155,510	22.8800	3,558,079			
VND:NTD	265,270,769	0.0013	344,852			
MRD:NTD	8,621	6.9951	60,308			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	47,169	30.7100	1,448,560	1%	14,486	-
EUR:NTD	1,456	32.7200	47,640	1%	476	-
JPY:NTD	62,437	0.2324	14,510	1%	145	-

- 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, 2023 and 2022 amounted to \$35,211 and \$99,979, 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, 2023 and 2022 would have increased/decreased by \$62,980 and \$50,546, 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 \$736,555 and \$804,369, 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022 would have been \$500 and \$2,700 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, 2023 and 2022, 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 \$419,579 and \$842,724; \$3,385,150 and \$3,554,874, 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, 2023 and 2022, the loss rate methodology is as follows:

December 31, 2023			
	Expected credit loss rate	Total book value	Loss allowance
Not past due	0%~1%	\$ 1,707,098	\$ -
Up to 30 days	0%~2%	212,295	(211)
31 to 90 days	1%~20%	104,405	(2,243)
91 to 180 days	1%~100%	26,899	(2,887)
Over 180 days	1%~100%	302,136	(29,152)
		<u>\$ 2,352,833</u>	<u>(\$ 34,493)</u>
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, 2023			
	Expected credit loss rate	Total book value	Loss allowance
Individual	100%	\$ 26,318	(\$ 26,318)
Group A	0%~5%	1,697,937	(397)
Group B	1%~10%	172,057	(74)
Group C	1%~20%	91,756	(182)
Group D	1%~40%	26,311	(18)
Group E	1%~100%	338,454	(7,504)
		<u>\$ 2,352,833</u>	<u>(\$ 34,493)</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>

- 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, 2023	For the year ended December 31, 2022
	Notes receivable and accounts receivable	Notes receivable and accounts receivable
At January 1	\$ 33,833	\$ 27,720
Provision for impairment loss	660	6,113
At December 31	<u>\$ 34,493</u>	<u>\$ 33,833</u>

For the years ended December 31, 2023 and 2022, the Company provisioned impairment (loss) gain for other receivables at amortised cost amounting to (\$3,522) and \$7,450, 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, 2023 and 2022, the undrawn credit amounts are \$19,080,669 and \$18,283,315, 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, 2023	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Notes payable	\$ 27,992	\$ -	\$ -	\$ -	\$ -
Accounts payable	5,276,011	-	-	-	-
Other payables	3,542,867	-	-	-	-
Lease liabilities	17,110	4,668	3,474	400	-
Bonds payable (including current portion)	-	5,000,000	-	-	-
Long-term borrowings (including current portion)	250,033	-	-	-	-

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
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)	1,350,532	-	-	-	-

iv. As of December 31, 2023 and 2022, 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, 2023</u>	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
Equity securities	\$ 1,259,608	\$ -	\$ 1,084,677	\$ 2,344,285
Financial assets at fair value				
through other comprehensive income				
Equity securities	14,731,100	-	4,861	14,735,961
	<u>\$ 15,990,708</u>	<u>\$ -</u>	<u>\$ 1,089,538</u>	<u>\$ 17,080,246</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
Non-hedging derivatives	\$ -	\$ 5,503	\$ -	\$ 5,503
Hedging financial liabilities	-	5,025	-	5,025
	<u>\$ -</u>	<u>\$ 10,528</u>	<u>\$ -</u>	<u>\$ 10,528</u>

<u>December 31, 2022</u>	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
<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	16,087,375	-	3,782	16,091,157
	<u>\$ 17,098,289</u>	<u>\$ -</u>	<u>\$ 1,148,060</u>	<u>\$ 18,246,349</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
Non-hedging derivatives	\$ -	\$ 3,845	\$ -	\$ 3,845

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) 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, 2023 and 2022, 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, 2023	For the year ended December 31, 2022
Beginning balance	\$ 1,148,060	\$ 1,125,485
Gains and losses recognized in profit or loss	(23,167)	41,902
Gain and loss recognized in other comprehensive income	1,079	(433)
Sold during the year	(36,435)	(18,894)
Ending balance	<u>\$ 1,089,537</u>	<u>\$ 1,148,060</u>

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

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement.

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	\$ 1,089,537	Market comparable companies	Price to earnings ratio multiple	1.46~3.04	The higher the multiple and control premium, the higher the fair value
Private equity fund		Net asset value	None	None	None

	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		Net asset value	None	None	None

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, 2023						
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets	Input	Change				
Equity instrument	Discount for lack of marketability	±5%	\$ 54,234	(\$ 54,234)	\$ 243	(\$ 243)
December 31, 2022						
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets	Input	Change				
Equity instrument	Discount for lack of marketability	±5%	\$ 57,214	(\$ 57,214)	\$ 189	(\$ 189)

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- I. Trading in derivative financial instruments undertaken during the reporting periods ended: Please refer to Note 6(12)(13).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

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

(3) Information on investments in Mainland China

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

(4) Major shareholders information

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

14. Significant Financial Information

Not applicable.

TECO ELECTRIC & MACHINERY CO., LTD.

Loans to others

For the year ended December 31, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended		Balance at December 31, 2023	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			Footnote	
					December 31, 2023	December 31, 2023								Item	Value	Limit on loans granted to a single party		
1	U.V.G.	Teco Netherlands	Other receivables	Yes	\$ 242,970	\$ 237,860	\$ 237,860	-	-	Short-term financing	\$ -	- For operating capital	\$ -	-	\$ -	\$ 512,269	\$ 853,781	Note 2
2	Teco Westinghouse	TWMM	"	"	64,540	-	-	-	-	Short-term financing	-	- For operating capital	-	-	-	583,181	1,166,363	Note 3
3	Great Teco Motor (PTE) Ltd.	Teco Netherlands	"	"	201,318	197,084	197,084	2.18%	2.18%	Short-term financing	-	- For operating capital	-	-	-	293,776	474,365	Note 4
4	Motovario Corp.	Motovario S.p.A.	"	"	194,550	168,878	162,122	4.49%	4.49%	Short-term financing	-	- For operating capital	-	-	-	183,569	244,758	Note 5
5	TECO Holdings, USA, Inc.	Teco Electric & Machinery S.A. DE C.V.	"	"	131,743	124,754	124,754	5.26%	5.26%	Short-term financing	-	- For operating capital	-	-	-	1,319,741	2,639,482	Note 6
6	Teco Australia Pty. Ltd.	Mos Burger Australia Pty. Ltd.	"	"	18,733	18,707	18,707	5.23%	5.23%	Short-term financing	-	- For operating capital	-	-	-	159,933	639,734	Note 7

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

(1)The Company is '0'.

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

Note 2: In accordance with 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, 2023), 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, 2023).

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, 2023), 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, 2023).

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, 2023), 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, 2023).

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, 2023), 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, 2023).

Note 6: In accordance with TECO Holdings. USA, Inc.'s policy, limit on total loans shall not exceed 20% of TECO Holdings. USA, Inc.'s net assets based on the latest audited financial statement (December 31, 2023), and limit on loans to a single party shall not exceed 10% of TECO Holdings. USA, Inc.'s net assets based on the latest audited financial statement (December 31, 2023).

Note 7: In accordance with Teco Australia Pty. Ltd.'s policy, limit on total loans shall not exceed 40% of Teco Australia Pty. Ltd.'s net assets based on the latest audited financial statement (December 31, 2023), and limit on loans to a single party shall not exceed 10% of Teco Australia Pty. Ltd.'s net assets based on the latest audited financial statement (December 31, 2023).

Table 2

TECO ELECTRIC & MACHINERY CO., LTD.
Provision of endorsements and guarantees to others
For the year ended December 31, 2023

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2023	Outstanding endorsement/ guarantee amount at December 31, 2023	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 to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)										
0	TECO ELECTRIC & MACHINERY CO., LTD.	Sankyo Co., Ltd	(4)	\$ 16,029,718	\$ 104,580	\$ 97,740	\$ 76,020	\$ -	0.12	\$ 48,089,154	Y	N	Note 3
0	"	Motorsario	(4)	16,029,718	1,214,850	1,189,300	1,002,410	-	1.48	48,089,154	Y	N	"
1	Teco Westinghouse	TWMM	(4)	583,181	64,850	61,410	32,951	-	1.05	1,166,363	Y	N	Note 4
2	Teco Australia Pty. Ltd.	TECO New Zealand Pty. Ltd.	(4)	159,933	14,667	14,543	14,543	-	0.91	319,867	Y	N	Note 5
3	Century Development	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)	667,071	164,845	155,865	146,188	-	2.34	1,334,142	Y	N	Note 6
4	Tong-An Assets	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)	519,351	123,634	116,899	109,641	-	2.25	1,038,701	N	N	Note 7
5	Tong-An Investment Co., Ltd.	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)	150,934	123,634	116,899	109,641	-	0.60	200,000	N	N	Note 8

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

(1) The Company is '0'.

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

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

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

Note 3: In accordance with the Company's policy, the total guarantee amount shall not exceed 60% of Company's net assets based on the latest financial statements (December 31, 2023), and the guarantee to a single party shall not exceed 20% of the Company's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 4: In accordance with the Teco Westinghouse's policy, the total guarantee amount shall not exceed 10% of Teco Westinghouse's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 5: In accordance with 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, 2023), 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, 2023), 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, 2023), 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, 2023

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, 2023				Footnote
				Number of shares	Book value \$	Ownership (%)	Fair value \$	
Teco International	Stock 1	The Company is a director of the investee	Note 1	11,132	402,408	14.62	402,408	
	Stock 2	None	"	2,137	63,043	1.43	63,043	
	Stock 3	"	"	210,333	8,129,359	5.22	8,129,359	
	Stock 4	The Company is a director of the investee	"	190,061	5,834,860	3.38	5,834,860	
	Stock 5	None	"	8,262	118,151	0.09	118,151	
	Stock 6	The Company is a director of the investee	"	5,098	183,279	13.42	183,279	
	Stock 7, etc.	None	"	15,796	4,861	-	4,861	
	Stock 8	"	Note 4	3,200	168,337	0.03	168,337	
	Stock 9	The Company is a director of the investee	"	12,217	491,744	1.67	491,744	
	Stock 10	None	"	47,839	477,432	1.58	477,432	
	Stock 11	"	"	19	1,500	-	1,500	
	Stock 12	The Company is a director of the investee	"	32,980	342,030	10.99	342,030	
	Stock 13	None	"	7,500	477,577	5.00	477,577	
	Stock 14, etc.	"	"	22,104	239,385	-	239,385	
	Fund 1	"	"	-	54,925	-	54,925	
	Fund 2	"	"	-	91,355	-	91,355	
	Stock 2	"	Note 1	5,309	156,629	3.56	156,629	
Tong-An Investment	Stock 15	"	"	720	62,466	0.50	62,466	
	Stock 16	The Company is a director of the investee	"	290	147,612	0.12	147,612	
	Stock 17	None	"	3,177	370,164	0.63	370,164	
	Stock 9	The Company is a corporate director of the investee	"	830	33,392	0.11	33,392	
	Stock 18, etc.	The Company is a director of the investee	"	7,900	211,226	-	211,226	
	Stock 19, etc.	None	Note 3	1,678	174,812	-	174,812	
	Stock 2	"	Note 1	7,913	233,443	5.31	233,443	
	Stock 15	"	"	1,225	106,193	0.85	106,193	
	Stock 20	An investee company accounted for under the equity method by the Company	"	19,540	914,474	0.91	914,474	
	Stock 18	Related party in substance	"	8,197	139,750	7.28	139,750	
	Stock 11	None	"	8,692	693,618	0.27	693,618	
	Stock 21	"	"	1,285	126,701	0.04	126,701	
	Stock 16	The Company is a director of the investee	"	24,110	12,271,888	10.03	12,271,888	
	Stock 22	None	"	1,217	85,337	0.37	85,337	
	Stock 3	"	"	5,000	193,250	0.12	193,250	
	Stock 23, etc.	"	"	23,677	522,395	-	522,395	
	Stock 24	"	Note 3	500	19,125	0.41	19,125	

As of December 31, 2023							
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of		Ownership (%)	Footnote
				shares	Book value		
Tong-An Investment	Stock 16	The Company is a director of the investee	Note 4	1,200	\$ 610,739	0.50	\$ 610,739
	Fund 3	None	"	50,000	565,000	-	565,000
	Fund 4	"	"	625	21,655	-	21,655
	Stock 25, etc.	"	Note 1	118	7,966	-	7,966
U.V.G An-Tai International	Stock 2	"	"	653	19,264	0.44	19,264
	Stock 20	An investee company accounted for under the equity method by the Company	"	2,826	132,245	0.13	132,245
	Stock 18	Related party in substance	"	1,270	21,656	1.13	21,656
	Stock 26	"	"	2,756	211,636	8.51	211,636
Jie-Zheng Property Information Technology Total Service Teco Singapore Taiwan Pelican Express	Stock 27	None	"	215	19,039	0.15	19,039
	Stock 9	The Company is a corporate director of the investee	"	830	33,392	0.11	33,392
	Stock 19, etc.	None	Note 3	1,079	123,114	-	123,114
	Fund 5, etc.	"	Note 2	-	12,097	-	12,097
Teco Australia Sankyo Tecom and its subsidiaries	Stock 28, etc.	"	Note 1	3,269	32,525	-	32,524
	Stock 16, etc.	Related party in substance	"	357	181,752	-	181,752
	Stock 20	An investee company accounted for under the equity method by the Company	"	7,070	330,876	0.33	330,876
	Stock 16	None	"	788	400,911	0.33	400,911
Tong Dai	Stock 16	"	"	366	186,124	0.15	186,124
	Stock 29	"	"	68	6,011	-	6,011
	Stock 4	The Company is a corporate director of the investee	"	8,112	249,039	0.14	249,039
	Stock 7, etc.	None	"	1,161	1,101	-	1,101
Tong Dai	Stock 30	"	Note 3	1,000	16,050	0.47	16,050
	Fund 6, etc.	"	Note 2	546	14,430	-	14,430
	Stock 20	An investee company accounted for under the equity method by the Company	Note 3	77	3,614	-	3,614
	Stock 31, etc.	None	"	2	77	-	77

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

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

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

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

TECO ELECTRIC & MACHINERY CO., LTD.

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

For the year ended December 31, 2023

Table 4

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

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:											
Real estate acquired by	Marketable Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Reason for acquisition of real estate and status of the real estate disposal	
										Basis or reference used in setting the price	Other commitments
Century Biotech Development Corp.	Park permanent work	In October 2019	\$1,660,955	\$1,655,537	FAR EASTERN GENERAL CONTRACTOR INC.	Non-related parties	Not applicable	Not applicable	Not applicable	Comparative price and bargain	Operation needs
	Park curtain wall work	In February 2020	410,000	348,523	CHINA WIRE & CABLE CO., LTD.	Non-related parties	Not applicable	Not applicable	Not applicable	Comparative price and bargain	Operation needs
	Park electrical and mechanical work	In September 2020	1,375,000	1,302,498	TECO ELECTRIC & MACHINERY CO., LTD.	Related parties	Not applicable	Not applicable	Not applicable	Comparative price and bargain	Operation needs
	Park renovation work	In May 2021	516,009	489,670	CHEN-JIA CONSTRUCTION AND ENGINEERING CO., LTD.	Non-related parties	Not applicable	Not applicable	Not applicable	Comparative price and bargain	Operation needs

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, 2023

Table 5

Expressed in thousands of NT\$
(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	total notes/accounts receivable (payable)		
											Purchases		$	11%	30 days	Note 1	Note 1	$	-
TECO ELECTRIC & MACHINERY CO., LTD.	Tesen	An investee accounted for under the equity method	Purchases	2,453,523	11%	30 days	Note 1	Note 1	-	-	-	
	Taian (Subic) Electric	"	"	204,740	1%	"	"	"	(80,560)	(2%)		
	Wuxi Teco	An indirect investee accounted for under the equity method	"	1,543,537	7%	"	"	"	(838,523)	(16%)		
	TECO (VIETNAM) ELECTRIC & MACHINERY	"	"	837,081	4%	"	"	"	(151,172)	(3%)		
	Tai-An Wuxi	"	"	719,290	3%	"	"	"	(311,455)	(6%)		
	Jiangxi Teco	"	"	163,633	1%	"	"	"	(63,532)	(1%)		
	Tong Dai	An investee accounted for under the equity method	Sales	(1,132,391)	(4%)	90 days	"	"	277,365	7%		
	Teco Singapore	"	"	(686,758)	(3%)	"	"	"	82,622	2%		
	E-Joy International	"	"	(406,264)	(1%)	"	"	"	103,749	3%		
	A-Ok Technical	"	"	(108,293)	-	"	"	"	3,558	-		
	Taian (Subic)	"	"	(106,246)	-	"	"	"	17,529	-		

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	total notes/accounts receivable (payable)	
			"	(3,747,866)	(14%)	"	"	"	260,836	7%	
TECO ELECTRIC & MACHINERY CO., LTD.	Teco Westinghouse	An indirect investee accounted for under the equity method	"	((4%)	"	"	"	237,779	6%	Note2
	Teco Australia	"	"	(1,160,299)	(3%)	"	"	"	68,766	2%	
	Teco Westinghouse Canada	"	"	(875,100)	(1%)	"	"	"	85,576	2%	
	Sankyo	"	"	(264,200)	(1%)	"	"	"	53,428	1%	
	Top-Tower	"	"	(226,155)	(1%)	"	"	"	-	-	
	TECO MIDDLE EAST	"	"	(189,492)	(1%)	"	"	"	20,517	1%	
	Taisan Electric	"	"	(197,342)	(1%)	"	"	"	68,682	2%	
	MOTOVARIO	"	"	(165,850)	(1%)	"	"	"	33,262	1%	
	TWMM	"	"	(153,873)	(1%)	"	"	"			

Note1 : Comparable with other types of transactions, trading conditions are handled in accordance with the agreement of the conditions.

Note2 : TECO MIDDLE EAST is no longer a related party of the company since the company sold its owned share in the fourth quarter of 2023.

Table 6

TECO ELECTRIC & MACHINERY CO., LTD.									
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more									
December 31, 2023									
Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Expressed in thousands of NTD (Except as otherwise indicated)	
					Amount	Action taken		Allowance for doubtful accounts	
TECO ELECTRIC & MACHINERY CO., LTD.	Tong Dai	An investee accounted for under the equity method	\$ 277,500	3.48	\$ -	-	\$ 253,380	-	
"	E-Joy International	"	104,632	3.26	-	-	65,345	-	
"	Teco Westinghouse	An indirect investee accounted for under the equity method	362,520	11.32	-	-	258,515	-	
"	Teco Australia	"	237,779	4.64	-	-	137,276	-	
"	Motovario	"	125,256	1.22	-	-	28,493	-	
Wuxi Teco	TECO ELECTRIC & MACHINERY CO., LTD.	"	838,523	1.82	-	-	186,309	-	
Tai-An Wuxi	"	"	311,455	2.83	-	-	83,234	-	
TECO (VIETNAM) ELECTRIC & MACHINERY U.V.G.	"	"	151,172	7.02	-	-	108,195	-	
	Teco Netherlands	An investee accounted for under the equity method	237,860	-	-	-	-	-	
Teco Holding USA Inc.	Teco Electric & Machinery S.A. DE C.V.	"	124,754	-	-	-	-	-	
Great Teco Motor (PTE) Ltd.	Teco Netherlands	Fellow subsidiary	197,084	-	-	-	-	-	
Motovario Corp.	Motovario	An investee accounted for under the equity method	168,878	-	-	-	-	-	Total amount was \$2,344

TECO ELECTRIC & MACHINERY CO., LTD.
Significant inter-company transactions during the reporting period
For the year ended December 31, 2023

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 7

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	TECO ELECTRIC & MACHINERY CO., LTD.	Tong Dai	(1)	Notes receivable, accounts receivable and other receivables	\$ 277,500	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	362,520	"	-
0	"	Motovario	"	"	125,256	"	-
0	"	E-Joy International	"	"	104,632	"	-
0	"	Teco Australia	"	"	237,779	"	-
1	Wuxi Teco	TECO ELECTRIC & MACHINERY CO., LTD.	(2)	Accounts receivable	838,523	"	1%
2	Tai-An Wuxi	"	"	"	311,455	"	-
3	TECO (VIETNAM) ELECTRIC & MACHINERY U.V.G	"	"	"	151,172	"	-
4	"	Teco Netherlands	(3)	Other receivables	237,860	"	-
5	Great Teco Motor (PTE) Ltd.	"	"	"	197,084	"	-
6	Motovario Corp.	Motovario S.p.A	"	"	168,878	"	-
7	Teco Holding USA Inc.	Teco Electric & Machinery S.A. DE C.V.	"	"	124,754	"	-
0	TECO ELECTRIC & MACHINERY CO., LTD.	Teco Westinghouse	(1)	Sales	3,747,866	"	6%
0	"	Teco Australia	"	"	1,160,299	"	2%
0	"	Tong Dai	"	"	1,132,391	"	2%
0	"	Teco Westinghouse Canada	"	"	875,100	"	1%
0	"	Teco Singapore	"	"	686,758	"	1%
0	"	E-Joy International	"	"	406,264	"	1%
0	"	Sankyo	"	"	264,200	"	-
0	"	Top-Tower	"	"	226,155	"	-
0	"	Taisan Electric	"	"	197,342	"	-
0	"	TECO MIDDLE EAST	"	"	189,492	"	-
0	"	Motovario	"	"	165,850	"	-
0	"	TECO-Westinghouse Motor Company	"	"	153,873	"	-
0	"	A-Ok Technical	"	"	108,293	"	-
0	"	Taian (Subic)	"	"	106,246	"	-
8	Tesen	TECO ELECTRIC & MACHINERY CO., LTD.	(2)	"	2,453,523	"	4%
1	Wuxi Teco	"	"	"	1,543,537	"	3%

TECO ELECTRIC & MACHINERY CO., LTD.
Significant inter-company transactions during the reporting period
For the year ended December 31, 2023

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
3	TECO (VIETNAM) ELECTRIC & MACHINERY	TECO ELECTRIC & MACHINERY CO., LTD.	(2)	Sales	837,081	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.	1%
2	Tai-An Wuxi	"	"	"	719,290	"	1%
9	Taian (Subic) Electric	"	"	"	204,740	"	-
10	Jiangxi Teco	"	"	"	163,633	"	-

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

(1) Parent company is '0'.

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

Note 2: Relationship with the transaction company:

(1) The parent company to the subsidiary.

(2) The subsidiary to the parent company.

(3) The subsidiary to another subsidiary.

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

Note 4: TECO MIDDLE EAST is no longer a related party of the company since the company sold its owned share in the fourth quarter of 2023.

TECO ELECTRIC & MACHINERY CO., LTD.

Information on investees
For the year ended December 31, 2023

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023		Net profit (loss) (loss) recognized of the investee for the year ended December 31, 2023		Investment income	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
				\$	\$			\$	\$		
TECO ELECTRIC & MACHINERY CO., LTD.	Tung Pei	Taiwan	Manufacturing of bearings	431,109	431,109	39,145,044	31.14%	2,339,997	41,656	12,552	None
	Tecom	Taiwan	Manufacturing of key telephone system and nonkey service unit telephone system	431,109	431,109	19,228,898	63.52%	119,381	(20,191)	22,499	None
	Teco International	Taiwan	Investment holdings, investments in securities and construction of commercial buildings	100,013	100,013	77,847,395	100%	1,907,757	88,951	89,419	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%	13,194,086	1,427,457	1,424,133	None
	Teco Singapore and its subsidiaries	Singapore	Distribution of the Company's motor products in Singapore	112,985	112,985	7,200,000	90%	3,015,190	90,930	90,930	None
	Tong-An Investment	Taiwan	Investment holdings	2,490,000	2,490,000	577,913,365	99.60%	18,488,584	595,815	564,448	None
	Teco Electro	Taiwan	Manufacturing of Stepping motors	71,460	71,460	10,253,864	59.56%	206,098	14,475	8,897	None
	UVG and its subsidiaries	Cayman Islands	Manufacturing and distribution of the Company's motor products and home appliances, and investment holdings	8,505,434	8,505,434	195,416,844	100%	8,493,028	1,255,286	1,210,502	None
	ITTS	Taiwan	E-business service, mailing and data management	111,286	111,286	11,467,248	41.97%	244,859	74,163	31,126	None
	Tesen	Taiwan	Manufacturing and sales of home appliance	200,000	200,000	20,000,000	100%	210,485	7,484	4,905	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%	452,479	(98,510)	29,847	None

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023		Net profit (loss) of the investee for the year ended December 31, 2023		Investment income recognized by the Company for the year ended December 31, 2023	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
TECO ELECTRIC & MACHINERY CO., LTD.	Tong Dai	Taiwan	Distribution of the Company's motor products in Taichung	\$ 22,444	\$ 22,444	6,615,234	83.53%	\$ 398,246	\$ 67,770	\$ 67,770	None
	Teco Vietnam	Vietnam	Manufacturing and sales of motors	540,453	540,453	-	100%	293,929	(50,819)	(50,923)	None
	Yatec	Taiwan	Development and maintenance of various electric appliances	92,389	92,389	7,800,000	66.67%	142,093	12,762	8,501	None
	Tong-An Assets Taian Subic Micropac (BVI) and its subsidiaries	Taiwan Philippines British Virgin Islands	Real estate business Manufacturing and sales of switches Manufacturing and distribution of optical fiber apparatus and international trading	2,111,889 165,819 199,483	2,111,889 165,819 454,923	395,415,338 17,131,155 6,883,591	100% 76.70% 100%	5,192,684 231,402 801,963	(47,317) 18,191 89,601	(48,118) 17,047 72,575	None None None
Eagle Holding Co. TECO MOTOR	Century Development An-Tai International Taiwan Pelican Express	Taiwan Taiwan Taiwan	Development and management of industrial park Investment holdings Logistics and distribution services	951,141 150,000 255,116	951,141 150,000 255,116	100,592,884 39,641,929 24,121,700	28.67% 100% 25.27%	1,379,756 703,059 231,338	339,354 24,169 94,496	97,997 19,851 21,197	None None None
	Taian-Ecobar	Taiwan	Bus bar and manufacturing of its components	70,330	70,330	7,033,000	84.73%	176,451	65,892	55,657	None
	Eagle Holding Co.	Cayman Islands	Investment holdings	3,691,723	3,691,723	1	100%	5,047,104	67,839	67,839	None
	TECO MOTOR B.V. Motovario S.p.A	Netherlands Italy	Investment holdings Production and sale of gear reducers and motors	3,691,723 3,989,850	3,691,723 3,989,850	1 18,010,000	100% 100%	5,047,104 5,047,104	67,839 67,839	67,839 67,839	None None
Tung Pei	Tung Pei (SAMOA) Industrial Co., Ltd. Baycom	Samoa Taiwan	Investment holdings and establishment of overseas Manufacturing and sales of optical telecom products	646,343 431,258	646,343 431,258	23,031,065 14,700,741	100% 43.76%	1,869,338 201,593	9,368 28,279	9,368 12,376	None None
Tecom	Century Development Taiwan Pelican Express	Taiwan Taiwan	Development and management of industrial park Logistics and distribution services	420,646 54,874	420,646 54,874	46,235,042 6,474,468	13.18% 6.78%	686,443 150,903	339,354 94,496	48,271 6,409	None None
Tong-An Investment	Century Biotech Development Corp.	Taiwan	Development and construction of real estate	514,270	514,270	51,427,000	20.57%	493,037	(41,531)	(8,543)	None
	Century Real Estate (International) Pte. Ltd.	Singapore	Investing in other areas	274,856	274,856	9,120,000	30%	199,879	(7,095)	(2,124)	None

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023		Net profit (loss) of the investee for the year ended		Investment income recognized by the Company for the year ended		Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value	December 31, 2023	December 31, 2023	December 31, 2023	
				\$	\$			\$	\$	\$		
Lien Chang	Gen Mao International Corp.	Taiwan	Investment holdings	92,000	92,000	12,553,526	100%	127,051	7,423	7,423	7,423	None
	Gen Mao (Singapore)	Singapore	Investment holdings	582,246	582,246	27,502,355	84.97%	704,971	(50,999)	(34,304)	(34,304)	None
	Gen Mao (Singapore)	Singapore	Investment holdings	91,079	91,079	4,866,045	15.03%	124,689	(50,999)	(6,070)	(6,070)	None
Gen Mao International Corp. Century Development	Centurytech Construction and Management Corp.	Taiwan	Construction and sales of related raw materials	238,170	238,170	2,250,000	100%	(5,120)	14,283	15,285	15,285	None
	Jie-Zheng Property Service & Management Co., Ltd.	Taiwan	Building management servicing	13,750	13,750	1,512,500	50%	79,971	38,780	19,428	19,428	None
	United Development	Taiwan	Investment consultancy service for domestic and foreign industrial parks and land	25,536	25,536	6,102,973	51.60%	95,592	11,843	6,111	6,111	None
Teco Electro	Greyback International Property Inc.	Philippines	Housing project in Subic	9,912	9,912	144,600	30.11%	10,430	(86)	(27)	(27)	None
	Century Real Estate (International) Pte. Ltd.	Singapore	Investing in other areas	365,820	365,820	12,160,000	40%	266,506	(7,095)	(2,832)	(2,832)	None
	Century Biotech Development Corp.	Taiwan	Development and construction of real estate	771,460	771,460	77,146,000	30.86%	739,646	(41,531)	(12,816)	(12,816)	None
Teco Singapore	Teco Electro Devices Co., Ltd.	British Virgin Islands	Trading and investment holdings	88,108	88,108	2,510,000	100%	245,604	3,439	4,816	4,816	None
	Century Development	Taiwan	Development and management of industrial park	-	179,222	-	-	-	339,354	18,851	18,851	Note
	Century Development	Taiwan	Leasing of real estate	455,716	184,893	38,280,585	10.91%	490,228	339,354	18,695	18,695	Note
Tong-An Assets	Century Biotech Development Corp.	Taiwan	Development and construction of real estate	514,270	514,270	51,427,000	20.57%	493,037	(41,531)	(8,543)	(8,543)	None
	Century Real Estate (International) Pte. Ltd.	Singapore	Investing in other areas	274,856	274,856	9,120,000	30%	199,879	(7,095)	(2,124)	(2,124)	None

Note: Teco Singapore sold its owned share of Century Development to Tong-An Assets in the fourth quarter of 2023.

TECO ELECTRIC & MACHINERY CO., LTD.

Information on investments in Mainland China

For the year ended December 31, 2023

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to		Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of the investee for the year ended December 31, 2023	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognized by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
				China	Taiwan		Mainland	Taiwan							
Teco (Dong Guang)	Manufacturing and sales of air conditioners and mechanical equipment	\$ 268,799	Note 2	\$ -	\$ -	\$ 188,139	\$ -	\$ 188,139	\$ -	\$ 162	100%	\$ 175	\$ 133,617	\$ -	Note 13
Wuxi Teco	Manufacturing and sales of motors	1,697,276	Note 1	-	-	768,259	-	768,259	-	674,016	84.12%	568,087	2,130,292	716,129	Note 13
Taian (Wuxi)	Manufacturing and sales of optical fiber	495,123	Note 8	-	-	205,551	-	205,551	-	74,273	100%	74,273	878,148	448,243	Note 13
Nanchang Teco	Manufacturing and sales of home appliances	456,293	Note 3	-	-	456,293	-	456,293	-	(419)	100%	(419)	(18,790)	-	Note 13
Jiangxi Teco	Manufacturing and sales of motors	1,481,569	Note 1	-	-	1,383,653	-	1,383,653	-	158,484	98.07%	155,425	1,609,467	202,484	Note 13
Qingdao Teco	Manufacturing and sales of fine blanking dies, precision cavity modes, standard parts of molds and new electromechanical components	947,331	Note 1	-	-	1,648,510	-	1,648,510	-	(1,982)	87.60%	(1,736)	242,473	-	Note 13
Xiamen An-Tai	Development, manufacturing and sales of LCD monitors.	678,681	Note 3	-	-	467,577	-	467,577	-	5,128	100%	5,128	248,929	-	Note 13
Teco Han Zhou	Development and consulting of device products	9,837	Note 1	-	-	9,837	-	9,837	-	7,101	100%	6,982	29,726	11,937	Note 18
Teco Century	Manufacturing and sales of compressor	680,938	Note 3	-	-	340,469	-	340,469	-	5,358	24%	1,282	30,012	-	Note 18
Fujian Teco	Manufacturing and sales of electronic components	391,843	Note 1	-	-	391,843	-	391,843	-	(1,914)	100%	(1,914)	44,299	-	Note 18
Shanghai Xiangseng	Distribution of air conditioner	24,004	Note 2	-	-	-	-	-	-	4,826	-	866	-	-	Note 13、19
Jiangxi TECO (AC)	Manufacturing and sales of air conditioning mechanical equipment	79,813	Note 3	-	-	79,813	-	79,813	-	(7,210)	100%	(7,210)	131,835	-	Note 13
Qingdao Teco Innovation	Science Park development and business operations and consulting services	59,444	Note 10	-	-	59,444	-	59,444	-	(2,220)	100%	(2,220)	36,158	-	Note 13
Shanghai Teco	Sales of home appliances	23,829	Note 1	-	-	23,829	-	23,829	-	162,565	100%	171,745	270,540	271,028	Note 13
Jiangxi TECO	Manufacturing and sales of motors, winding and related elements	119,840	Note 9	-	-	-	-	-	-	12,324	100%	12,324	123,076	-	Note 13
Westinghouse Motor Coil Co.,Ltd.	Production and sale of industrial motors and applications	656,500	Note 11	-	-	-	-	-	-	17,681	100%	17,681	853,952	-	Note 13
Wuxi TECO Precision Industry Co. Ltd.	Storage services	26,422	Note 4	-	-	26,422	-	26,422	-	-	-	-	-	-	Note 16
Beijing Pelican Express	Merchandise wholesale	342,163	Note 5	-	-	24,746	-	24,746	-	-	1.63%	-	-	-	Note 14、15
Fubon Gehua (Beijing) Trading Co., Ltd.	Communication network information, technology development, sales and technology services business	6,950	Note 12	-	-	6,950	-	6,950	-	(941)	100%	(941)	(1,114)	-	Note 13、17
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, 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of the year ended December 31, 2023	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognized by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Information Technology (Wuxi)	ERP building, system maintenance and purchases of information appliance	\$ 10,167	Note 6	\$ 10,167	\$ -	\$ -	\$ 10,167	\$ (437)	100%	\$ (437)	\$ 34,032	\$ -	Note 13
Wuxi TECO Electro Devices Co., Ltd.	R&D, manufacturing and sales of products and elements related to production capacity precision motors and provide products sales skills	115,125	Note 7	86,101	-	-	86,101	3,439	100%	4,816	144,355	43,266	Note 13

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

Note 8: Through investing in investees in the third areas, which then invested in the investee in Mainland China: Invest through Micropace Worldwide (B.V.I) and An-Tai International Investment (Singapore) Co., Ltd. and then invest in Mainland China.

Note 9: 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 10: 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 11: 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 12: Direct investment in Mainland China: Tecom Co., Ltd. directly remits investment into the Mainland China.

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

Note 14: Financial assets at fair value through other comprehensive income.

Note 15: As of December 31, 2023, accumulated impairment of \$24,746 was accrued.

Note 16: The company was dissolved and liquidated in 2022.

Note 17: There were upstream transactions with the subsidiaries amounting to (\$18) during the period.

Note 18: The amount recognized was based on the financial statements that were not audited by the other CPA firm.

Note 19: The company sold its owned share to YUBAN GLOBAL LIMITED in the fourth quarter of 2023.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	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	\$ 51,132,808
Taiwan Pelican Express Co., Ltd.	51,168	51,168	1,335,053
Tecom Co., Ltd.	6,950	681,144	278,801
Information Technology Total Services Co., Ltd.	10,167	10,167	350,060
Teco Electro Devices Co., Ltd.	86,101	115,225	208,123

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

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

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

TECO ELECTRIC & MACHINERY CO., LTD.
Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas
For the year ended December 31, 2023

Table 10

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		Financing		Interest during the year ended December 31, 2023	Others
	Amount	%		Amount	%	Balance at December 31, 2023	Balance at December 31, 2023	Maximum balance during the year ended December 31, 2023	Balance at December 31, 2023		
	\$			\$					\$		
Wuxi Teco	15,666	-	-	4,518	-	-	-	-	-	-	-
Taian (Wuxi)	11,916	-	-	3,237	-	-	-	-	-	-	-
Jiangxi Teco	16,505	-	-	4,877	-	-	-	-	-	-	-
Wuxi Teco Precision	3,324	-	-	-	-	-	-	-	-	-	-
Wuxi Teco	1,543,537	(7%)	-	(838,523)	16%	-	-	-	-	-	-
Taian (Wuxi)	719,290	(3%)	-	(311,455)	6%	-	-	-	-	-	-
Jiangxi Teco	163,633	(1%)	-	(63,532)	1%	-	-	-	-	-	-
Xiamen An-Tai	1,212	-	-	(825)	-	-	-	-	-	-	-
Jiangxi TECO (AC)	38,666	-	-	(5,791)	-	-	-	-	-	-	-
Wuxi Teco Precision	6,681	-	-	-	-	-	-	-	-	-	-
Genmao (Suzhao)	66,711	-	-	(7,442)	-	-	-	-	-	-	-



TECO ELECTRIC & MACHINERY CO., LTD.
Major shareholders information
December 31, 2023

Table 11

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
PJ Asset Management Co., Ltd	373,237,991	17.45%
Walsin Lihwa Co., Ltd	231,104,730	10.80%
Jia-Yuan Investment Co., Ltd	113,202,000	5.29%

**TECO ELECTRIC & MACHINERY CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2023 AND 2022**

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, 2023 and 2022, 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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagement of 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 2023 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 2023 consolidated financial statements are stated as follows:

Revenue recognition of export sales of green mechatronic solution business group

Description

Refer to Note 4(34) of the consolidated financial statements for the accounting policies on revenue recognition and Note 14 for the segment financial information. The Group disclosed the financial information of 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\$31,667,634 thousand, representing 53% of the consolidated total sales revenue for the year ended December 31, 2023. 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\$2,715,657 thousand and NT\$2,859,697 thousand, both constituting 2% of the consolidated total assets as at December 31, 2023 and 2022, respectively, and total operating revenues amounted to NT\$2,924,901 thousand and NT\$3,163,153 thousand, both constituting 5% of consolidated total operating revenues for the years then ended, respectively. The investments accounted for under the equity method amounted to NT\$2,514,353 thousand and NT\$2,406,380 thousand, both constituting 2% of consolidated total assets as of December 31, 2023 and 2022, respectively, the credit balance of investments accounted for under the equity method amounted to NT\$83,843 thousand and NT\$194,811 thousand, both constituting less than 1% of consolidated total assets as of December 31, 2023 and 2022, and the comprehensive income recognized from associates and joint ventures accounted for under the equity method amounted to NT\$20,272 thousand and NT\$212,320 thousand, constituting 1% and (3%) of the consolidated total comprehensive (loss) income for the years then ended, respectively.

Other matter –Parent company only financial reports

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of TECO Electric & Machinery Co., Ltd. as of and for the years ended December 31, 2023 and 2022.

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

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2024

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, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

			December 31, 2023		December 31, 2022			
					(Adjusted)			
Assets			AMOUNT		AMOUNT			
Notes			%		%			
Current assets								
1100	Cash and cash equivalents	6(1) and 8	\$	23,640,536	19	\$	21,375,400	17
1110	Current financial assets at fair value through profit or loss	6(2)		27,314	-		31,790	-
1120	Current financial assets at fair value through other comprehensive income	6(3)		333,178	-		761,573	1
1140	Current contract assets			3,858,752	3		2,316,064	2
1150	Notes receivable, net	6(5) and 8		868,642	1		1,039,556	1
1160	Notes receivable - related parties	7		99	-		101	-
1170	Accounts receivable, net	6(5)		10,488,483	8		10,049,783	8
1180	Accounts receivable - related parties	7		194,077	-		301,997	-
1200	Other receivables			351,635	-		326,141	-
1210	Other receivables - related parties	7		73,276	-		86,927	-
130X	Inventories, net	6(6)		11,631,793	9		12,895,287	10
1410	Prepayments			575,230	1		496,418	-
1470	Other current assets	6(1) and 8		437,596	-		636,384	1
11XX	Total current assets			52,480,611	41		50,317,421	40
Non-current assets								
1510	Non-current financial assets at fair value through profit or loss	6(2)		3,541,679	3		3,271,436	3
1517	Non-current financial assets at fair value through other comprehensive income	6(3) and 8		30,577,940	24		33,765,890	27
1535	Non-current financial assets at amortised cost, net	6(4) and 8		15,557	-		115,909	-
1550	Investments accounted for under the equity method	6(7) and 7		3,468,923	3		3,911,876	3
1600	Property, plant and equipment, net	6(8) and 8		20,290,504	16		19,131,777	15
1755	Right-of-use assets	6(9) and 8		7,473,207	6		6,735,166	5
1760	Investment property, net	6(10)		2,785,187	2		2,966,896	2
1780	Intangible assets	6(11)		4,832,979	4		4,668,399	4
1840	Deferred income tax assets	6(30)		1,346,615	1		1,198,512	1
1900	Other non-current assets	6(12)		500,588	-		519,828	-
15XX	Total non-current assets			74,833,179	59		76,285,689	60
1XXX	Total assets		\$	127,313,790	100	\$	126,603,110	100

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2023		December 31, 2022	
		AMOUNT	%	(Adjusted) AMOUNT	%
Current liabilities					
2100 Short-term borrowings	6(13) and 8	\$ 1,357,111	1	\$ 1,751,344	1
2120 Current financial liabilities at fair value through profit or loss	6(14)	5,850	-	4,144	-
2126 Current financial liabilities for hedging	6(15)	5,025	-	-	-
2130 Current contract liabilities	6(24)	2,305,861	2	2,319,189	2
2150 Notes payable		547,144	1	784,357	1
2160 Notes payable - related parties	7	1,088	-	434	-
2170 Accounts payable		8,663,722	7	9,077,048	7
2180 Accounts payable - related parties	7	38,189	-	48,756	-
2200 Other payables	6(16)	6,494,050	5	5,994,197	5
2230 Current income tax liabilities	6(30)	936,600	1	852,683	1
2250 Provisions for liabilities - current		435,516	-	301,730	-
2280 Current lease liabilities		531,002	-	531,318	-
2320 Long-term liabilities, current portion	6(18) and 8	484,224	-	228,159	-
2399 Other current liabilities, others		829,103	1	841,157	1
21XX Total current liabilities		<u>22,634,485</u>	<u>18</u>	<u>22,734,516</u>	<u>18</u>
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	3,065,622	2	3,427,355	3
2550 Provisions for liabilities - non-current		215,991	-	156,881	-
2570 Deferred income tax liabilities	6(30)	2,632,812	2	2,432,283	2
2580 Non-current lease liabilities		5,346,519	4	4,541,089	4
2600 Other non-current liabilities	6(7)(19)	1,975,581	2	1,992,487	1
25XX Total non-current liabilities		<u>18,236,525</u>	<u>14</u>	<u>17,550,095</u>	<u>14</u>
2XXX Total liabilities		<u>40,871,010</u>	<u>32</u>	<u>40,284,611</u>	<u>32</u>
Equity attributable to owners of parent					
Share capital	6(20)				
3110 Common stock		21,387,966	17	21,387,966	17
Capital surplus	6(21)				
3200 Capital surplus		9,629,730	7	9,575,822	7
Retained earnings	6(22)				
3310 Legal reserve		8,237,099	6	7,899,057	6
3320 Special reserve		3,640,779	3	3,640,779	3
3350 Unappropriated retained earnings		22,400,066	18	19,680,601	16
Other equity interest	6(23)				
3400 Other equity interest		15,364,660	12	18,352,419	14
3500 Treasury stocks	6(20)	(511,710)	-	(511,710)	-
31XX Equity attributable to owners of the parent		<u>80,148,590</u>	<u>63</u>	<u>80,024,934</u>	<u>63</u>
36XX Non-controlling interest	6(34)	<u>6,294,190</u>	<u>5</u>	<u>6,293,565</u>	<u>5</u>
3XXX Total equity		<u>86,442,780</u>	<u>68</u>	<u>86,318,499</u>	<u>68</u>
Significant contingent liabilities and unrecognized contract commitments	9				
Significant events after the balance sheet date	11				
3X2X Total liabilities and equity		<u>\$ 127,313,790</u>	<u>100</u>	<u>\$ 126,603,110</u>	<u>100</u>

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

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

Items	Notes	Year ended December 31			
		2023		2022	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(9)(10)(24) and 7	\$ 59,393,661	100	\$ 58,315,216	100
5000 Operating costs	6(6)(8)(9)(19)(29)				
	and 7	(44,451,003)	(75)	(45,129,917)	(77)
5900 Net operating margin		14,942,658	25	13,185,299	23
5910 Unrealized profit from sales		(10,419)	-	(9,351)	-
5920 Realized profit from sales		9,351	-	8,354	-
5950 Net operating margin		14,941,590	25	13,184,302	23
Operating expenses	6(8)(9)(19)(29)				
6100 Selling expenses		(4,492,287)	(8)	(4,412,306)	(8)
6200 General and administrative expenses		(2,620,767)	(4)	(2,496,464)	(4)
6300 Research and development expenses		(1,133,493)	(2)	(1,144,263)	(2)
6450 Expected credit impairment losses	12(2)	(31,791)	-	(57,615)	-
6000 Total operating expenses		(8,278,338)	(14)	(8,110,648)	(14)
6900 Operating profit		6,663,252	11	5,073,654	9
Non-operating income and expenses					
7100 Interest income	6(4)(25) and 7	619,223	1	233,077	-
7010 Other income	6(3)(10)(26) and 7	1,687,895	3	1,544,357	3
7020 Other gains and losses	6(2)(9)(14)(27)	(397,757)	(1)	(1,415,579)	(3)
7050 Finance costs	6(9)(28)	(322,399)	-	(203,963)	-
7060 Share of profit of associates and joint ventures accounted for under the equity method	6(7)	23,930	-	190,279	-
7000 Total non-operating income and expenses		1,610,892	3	348,171	-
7900 Profit before income tax		8,274,144	14	5,421,825	9
7950 Income tax expense	6(30)	(1,942,112)	(4)	(1,429,815)	(2)
8200 Profit for the period		\$ 6,332,032	10	\$ 3,992,010	7

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

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

		Year ended December 31			
		2023		2022	
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	6(19)			
		(\$ 33,416)	-	\$ 94,741	-
8316	Unrealized losses and gains on valuation of investments measured at fair value through other comprehensive income	6(3)			
		(2,597,535)	(4)	(11,822,766)	(20)
8320	Share of other comprehensive income(loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss				
		(7,209)	-	(12,277)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)			
		(19,804)	-	(2,982)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
		(2,657,964)	(4)	(11,743,284)	(20)
Other comprehensive income that will be reclassified to profit or loss					
8361	Currency translation differences of foreign operations	6(23)			
		151,288	-	1,916,975	3
8368	Losses on hedging instrument	6(23)		-	-
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(30)			
		5,523	-	(311,456)	(1)
8360	Components of other comprehensive income that will be reclassified to profit or loss				
		151,786	-	1,605,519	2
8300	Other comprehensive loss for the period				
		(\$ 2,506,178)	(4)	(\$ 10,137,765)	(18)
8500	Total comprehensive income (loss) for the period				
		\$ 3,825,854	6	(\$ 6,145,755)	(11)
Profit attributable to:					
8610	Owners of the parent				
		\$ 5,830,061	9	\$ 3,457,667	6
8620	Non-controlling interest				
		501,971	1	534,343	1
		\$ 6,332,032	10	\$ 3,992,010	7
Comprehensive income (loss) attributable to:					
8710	Owners of the parent				
		\$ 3,277,943	5	(\$ 6,347,756)	(11)
8720	Non-controlling interest				
		547,911	1	202,001	-
		\$ 3,825,854	6	(\$ 6,145,755)	(11)
Earnings per share (in dollars)					
9750	Basic earnings per share	6(31)			
		\$ 2.76		\$ 1.64	
9850	Diluted earnings per share				
		\$ 2.76		\$ 1.64	

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

ITECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

[illegible]

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

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 8,274,144	\$ 5,421,825
Adjustments			
Adjustments to reconcile profit (loss)			
Net (gain) loss on financial assets at fair value through profit or loss	6(2)(27)	(323,320)	1,131,130
Net loss on financial liabilities at fair value through profit or loss	6(14)(27)	15,044	17,381
Provision for decline in value of inventories	6(6)	155,957	117,060
Expected credit impairment losses	12(2)	31,791	57,615
Interest income	6(25)	(619,223)	(233,077)
Dividend income	6(26)	(1,194,966)	(1,128,492)
Interest expense	6(28)	322,399	203,963
Depreciation and amortization	6(8)(9)(10)(29)	1,987,657	1,803,446
(Gain) loss on disposal of property, plant and equipment	6(27)	(155)	4,241
Gain on disposal of investment property	6(27)	(117,357)	-
Share of profit of associates and joint ventures accounted for under the equity method	6(7)	(23,930)	(190,279)
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets	(	1,542,688)	3,028
Notes receivable		171,163	(39,367)
Notes receivable - related parties		2	782
Accounts receivable	(	476,521)	(220,887)
Accounts receivable - related parties		107,920	21,792
Other receivables	(	25,494)	93,972
Other receivables - related parties		13,651	31,634
Inventories		1,107,537	(760,249)
Prepayments	(	78,812)	19,393
Other current assets		17,052	163,662
Non-current financial assets at fair value through profit or loss		22,038	124,559
Changes in operating liabilities			
Current contract liabilities	(	13,328)	828,368
Notes payable	(	237,213)	(236,682)
Notes payable - related parties		654	(5,720)
Accounts payable	(	413,326)	(191,180)
Accounts payable - related parties	(	10,567)	(30,243)
Other payables		307,861	476,149
Provisions for liabilities		192,896	-
Other current liabilities	(	165,875)	182,410
Other non-current liabilities		51,139	(316,127)
Cash inflow generated from operations		7,536,130	7,350,107
Interest received	6(25)	619,223	233,077
Dividend received		106,079	138,348
Interest paid	(	227,899)	(129,170)
Income tax paid	(	1,800,626)	(1,237,746)
Net cash flows from operating activities		6,232,907	6,354,616

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in current financial assets at fair value through profit or loss		(\$ 2,297)	\$ 72,526
Increase in non-current financial assets at fair value through other comprehensive income		(51,727)	(384,617)
Proceeds from disposal of current financial assets at fair value through profit or loss	6(2)	37,812	2,219,166
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income	6(3)	1,064,955	209,316
Decrease in non-current financial assets at amortized cost	6(4)	100,352	276,323
Decrease in pledged and restricted bank and time deposits	6(1) and 8	188,491	1,054,465
Acquisition of property, plant and equipment	6(8)(32)	(2,010,237)	(2,904,793)
Proceeds from disposal of property, plant and equipment		71,604	24,409
Acquisition of investment property		(697)	-
Acquisition of intangible assets		-	(108,408)
Decrease (increase) in other non-current assets		31,211	(36,182)
Net cash outflow on acquisitions of subsidiaries	6(32)	(29,425)	-
Dividends received from investments of financial instruments		1,194,966	1,128,492
Disposal of investment accounted for using equity method		117,357	-
Increase in investments accounted for under the equity method and capital reduction to recover investment cost		(2,516)	(319,818)
Net cash flows from investing activities		709,849	1,230,879
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term loans	6(33)	(394,233)	(291,353)
Repayments of bonds	6(33)	-	(1,000,000)
Decrease in long-term loans	6(33)	(105,668)	(439,742)
Lease liabilities paid	6(9)(33)	(620,778)	(570,981)
Cash dividends paid to non-controlling interests		(410,948)	(404,738)
Cash dividends paid	6(22)	(3,208,195)	(2,887,375)
Net cash flows used in financing activities		(4,739,822)	(5,594,189)
Exchange rate effect		62,202	1,748,727
Net increase in cash and cash equivalents		2,265,136	3,740,033
Cash and cash equivalents at beginning of year		21,375,400	17,635,367
Cash and cash equivalents at end of year		\$ 23,640,536	\$ 21,375,400

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, 2023 AND 2022

(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, 2024.

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

New standards, interpretations and amendments endorsed by the FSC and became 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
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

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

Amendments to IAS 12, ‘International tax reform - pillar two model rules’

The amendments give companies temporary relief from accounting for deferred income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD). An entity shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

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

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	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.	

(3) IFRSs Accounting Standards 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 Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025
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 Material 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.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the 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, 2023	December 31, 2022	
Teco Electric & Machinery Co., Ltd.	Teco Holding USA Inc. and subsidiaries	Holding company investing in companies in North America and Taiwan. Its investees are primarily engaged in the manufacturing and sales of motors, generators, winding and related parts.	100	100	Notes 4 and 8
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	
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	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
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 3
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	61.07	Note 6
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.	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	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
Teco Electric & Machinery Co., Ltd.	E-Joy International Co., Ltd.	Wholesale and retail of electric appliances	98.07	98.07	Note 7
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	
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

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
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	
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	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
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	
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	
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	100	Note 5

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 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 4: Teco Holding USA Inc. acquired 100% of the shares in Tai-Peng Energy Co., Ltd. through its wholly-owned subsidiary in January 2023, and the entity has been

included in the Group's consolidated financial statements since the acquisition date.

Note 5: Tong An Energy Co., Ltd. was a newly established subsidiary in 2022.

Note 6: 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 7: 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 8: Teco Holding USA Inc. and its wholly-owned subsidiary, Teco Westinghouse Canada (TWMC), jointly invested and established Teco Electric Machinery S.A. de C.V. on March 3, 2023.

We did not audit the financial statements of certain consolidated subsidiaries which statements reflect total assets of \$2,715,657 and \$2,859,697 as at December 31, 2023 and 2022, respectively, and net operating revenue of \$2,924,901 and \$3,163,153 for the years ended December 31, 2023 and 2022, respectively.

C. Subsidiaries not included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
Teco Electric & Machinery Co., Ltd.	Teco Appliance (HK) Co., Ltd.	Sales of home appliances	-	100	Notes 1 and 2
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	100	Note 1
Teco Electric & Machinery Co., Ltd.	Teco (Philippines) 3C & Appliances, Inc.	Sales of air conditioning and electrical appliances	60	60	Note 1

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
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
Tong-An Assets Management & Development Co., Ltd.	Grey Back International Property Inc.	Real estate management and development	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: Teco Appliance (HK) Co., Ltd was dissolved and liquidated on August 18, 2023.

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

E. Significant restrictions: None.

F. Details of significant non-controlling interests: Please refer to Note 6(34).

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates.

- (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) Hedge accounting

A. At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.

B. The Group designates the hedging relationship as follows:

Cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

C. Cash flow hedges

(a) The cash flow hedge reserve associated with the hedged item is adjusted to the lower of the following (in absolute amounts):

- i. the cumulative gain or loss on the hedging instrument from inception of the hedge; and
- ii. the cumulative change in fair value of the hedged item from inception of the hedge.

(b) The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income. The gain or loss on the hedging instrument relating to the ineffective portion is recognised in profit or loss.

(c) The amount that has been accumulated in the cash flow hedge reserve in accordance with (a) is accounted for as follows:

- i. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or liability.
- ii. For cash flow hedges other than those covered by i. above, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.
- iii. If that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

(d) When the hedging instrument expires, or is sold, terminated, exercised or when the hedging relationship ceases to meet the qualifying criteria, if the forecast transaction is still expected to occur, the amount that has been accumulated in the cash flow hedge reserve shall remain in the cash flow hedge reserve until the forecast transaction occurs; if the forecast transaction is no longer expected to occur, the amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

(29) 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.

(30) Employee benefits

A. Short-term employee benefits

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

(31) 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 and does not give rise to equal taxable and deductible temporary differences. 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.

(32) Share capital

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

(33) Dividends

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

(34) Revenue recognition

A. Sales of goods—wholesale

- (a) The Group manufactures and sells various types of mechanical equipment, 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.

(35) 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.

(36) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the 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.

(37) 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(11) for the information of the assessment of goodwill impairment.

The amount of the Group's goodwill after recognising the impairment loss was \$4,730,316 as at December 31, 2023.

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

	December 31, 2023	December 31, 2022
Cash on hand and revolving funds	\$ 7,954	\$ 6,978
Checking accounts and demand deposits	7,520,061	7,488,646
Time deposits and notes issued under repurchase agreement	16,112,521	13,879,776
	<u>\$ 23,640,536</u>	<u>\$ 21,375,400</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, 2023 and 2022, certain bank deposits amounting to \$168,197 and \$574,814, 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'). Please refer to Note 8 for details.

C. According to IFRS Q&A amended by the competent authority on January 5, 2024, the Group reclassified the undrawn balance of deposits account for offshore funds which applies "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act" from other current assets to cash and cash equivalents, which was retrospectively reclassified to December 31, 2022. As of December 31, 2023 and 2022, cash and cash equivalents was increased and other current assets was decreased by \$485 and \$218,604.

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

Items	December 31, 2023	December 31, 2022
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Money market fund	\$ 29,740	\$ 34,240
Derivative instruments	787	301
	30,527	34,541
Valuation adjustments	(3,213)	(2,751)
	<u>\$ 27,314</u>	<u>\$ 31,790</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed and OTC stocks	\$ 884,399	\$ 884,399
Non-listed and OTC stocks	810,394	810,394
Fund beneficiary certificate	675,826	713,556
	2,370,619	2,408,349
Valuation adjustments	1,171,060	863,087
	<u>\$ 3,541,679</u>	<u>\$ 3,271,436</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, 2023	For the year ended December 31, 2022
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	<u>\$ 323,320</u>	<u>(\$ 1,131,130)</u>

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

December 31, 2023			
Derivative instrument	Contract period	Contract amount (Notional principal)	Fair value
Forward foreign exchange contracts			
BUY RMB/SELL USD	December 5, 2023 ~ February 27, 2024	USD 8,000,000	<u>\$ 787</u>

Derivative instrument	Contract period	December 31, 2022		Fair value
		Contract amount (Notional principal)		
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>

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 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, 2023	December 31, 2022
Current items:		
Listed and OTC stocks	\$ 169,355	\$ 482,495
Valuation adjustments	163,823	279,078
	<u>\$ 333,178</u>	<u>\$ 761,573</u>
Non-current items:		
Listed and OTC stocks	\$ 12,495,913	\$ 12,694,093
Emerging stocks	119,475	115,200
Non-listed and OTC stocks	306,948	333,657
	12,922,336	13,142,950
Valuation adjustments	17,655,604	20,622,940
	<u>\$ 30,577,940</u>	<u>\$ 33,765,890</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 \$30,911,118 and \$34,527,463 as at December 31, 2023 and 2022, respectively.

B. For the years ended December 31, 2023 and 2022, the Group sold stocks with fair values of \$1,064,955 and \$209,316, respectively, to raise the capital for operations; the cumulative gains (loss) on disposal are \$498,467 and (\$144,018), 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, 2023	For the year ended December 31, 2022
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 2,597,535)	(\$ 11,822,766)
Cumulative gains (losses) reclassified to retained earnings due to derecognition	\$ 498,467	(\$ 144,018)
Dividend income recognised in profit or loss		
Held at end of period	\$ 1,046,647	\$ 943,858
Derecognised during the period	-	3,649
	<u>\$ 1,046,647</u>	<u>\$ 947,507</u>

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

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

(4) Financial assets at amortised cost

Items	December 31, 2023	December 31, 2022
Non-current items:		
Time deposits	\$ 15,557	\$ 115,909

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

	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest income	\$ 2,278	\$ 6,787

- B. As at December 31, 2023 and 2022, 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 \$15,557 and \$115,909, 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, 2023	December 31, 2022
Notes receivable	\$ 870,587	\$ 1,041,750
Less: Allowance for bad debts	(1,945)	(2,194)
	<u>\$ 868,642</u>	<u>\$ 1,039,556</u>
Accounts receivable	10,688,811	\$ 10,264,814
Less: Allowance for bad debts	(200,328)	(215,031)
	<u>\$ 10,488,483</u>	<u>\$ 10,049,783</u>

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

	December 31, 2023	December 31, 2022
Not past due	\$ 8,798,254	\$ 8,970,190
Up to 30 days	1,211,495	1,049,553
31 to 90 days	811,799	542,913
91 to 180 days	311,073	283,479
Over 180 days	426,777	460,429
	<u>\$ 11,559,398</u>	<u>\$ 11,306,564</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2023 and 2022, the balances of receivables (including notes receivable) from contracts with customers amounted to \$11,327,753 and \$11,046,707, respectively.
- C. As at December 31, 2023 and 2022, 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 \$868,642 and \$1,039,556 and accounts receivable were \$10,488,483 and \$10,049,783, 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, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,182,271	(\$ 192,287)	\$ 2,989,984
Work in progress	1,212,304	(35,694)	1,176,610
Finished goods	6,870,363	(446,128)	6,424,235
Inventory in transit	545,269	-	545,269
Merchandise inventories	500,026	(4,331)	495,695
	<u>\$ 12,310,233</u>	<u>(\$ 678,440)</u>	<u>\$ 11,631,793</u>

	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	<u>546,287</u>	<u>(11,860)</u>	<u>534,427</u>
	<u>\$ 13,579,372</u>	<u>(\$ 684,085)</u>	<u>\$ 12,895,287</u>

A. The cost of inventories recognized as expense for the years ended December 31, 2023 and 2022 were \$28,128,727 and \$29,569,180, respectively, including \$155,957 and \$117,060 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, 2023 and 2022, respectively.

B. The Group has no inventory pledged to others.

(7) Investments accounted for under the equity method

	December 31, 2023	December 31, 2022
Associates:		
1. Tung Pei Industrial Co., Ltd.	\$ 2,339,997	\$ 2,440,891
2. Lien Chang Electronic Enterprise Co., Ltd.	452,479	487,575
3. Others	<u>676,447</u>	<u>983,410</u>
	<u>3,468,923</u>	<u>3,911,876</u>
Less: Credit balance of investments accounted for under the equity method such as Royal Host Taiwan Co., Ltd.(shown as deductions on accounts receivable - related parties as well as other receivables - related parties, and other non-current liabilities)	(83,843)	(194,811)
	<u>\$ 3,385,080</u>	<u>\$ 3,717,065</u>

The share of profit/loss of associates and joint ventures accounted for under the equity method for the years ended December 31, 2023 and 2022 are as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Associates:		
1. Tung Pei Industrial Co., Ltd.	\$ 12,552	\$ 245,014
2. Lien Chang Electronic Enterprise Co., Ltd.	(29,847)	1,528
3. Others	<u>41,225</u>	<u>(56,263)</u>
	<u>\$ 23,930</u>	<u>\$ 190,279</u>

A. Associates

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

Company name	place of business	Shareholding ratio		Nature of relationship	Method of measurement
		December 31, 2023	December 31, 2022		
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, 2023	December 31, 2022
Current assets	\$ 4,984,212	\$ 6,109,680
Non-current assets	7,431,032	7,634,024
Current liabilities	(3,110,385)	(3,861,672)
Non-current liabilities	(1,091,475)	(1,289,872)
Total assets	<u>\$ 8,213,384</u>	<u>\$ 8,592,160</u>
Share in associate's net assets	\$ 2,339,997	\$ 2,440,891
Goodwill	-	-
Carrying amount of the associate	<u>\$ 2,339,997</u>	<u>\$ 2,440,891</u>
	Lien Chang Electronic Enterprise Co., Ltd.	
	December 31, 2023	December 31, 2022
Current assets	\$ 1,148,508	\$ 1,465,956
Non-current assets	400,790	409,658
Current liabilities	(162,327)	(368,510)
Non-current liabilities	(50,016)	(66,450)
Total net assets	<u>\$ 1,336,955</u>	<u>\$ 1,440,654</u>
Share in associate's net assets	\$ 452,479	\$ 487,575
Goodwill	-	-
Carrying amount of the associate	<u>\$ 452,479</u>	<u>\$ 487,575</u>

Statement of comprehensive income

Tung Pei Industrial Co., Ltd.

	For the year ended December 31, 2023	For the year ended December 31, 2022
Revenue	\$ 6,506,646	\$ 8,079,648
Profit for the period from continuing operations	26,062	756,821
Other comprehensive (loss) income, net of tax	(73,876)	61,597
Total comprehensive income	(\$ 47,814)	\$ 818,418
Dividends received from associates	\$ 97,863	\$ 117,435

Lien Chang Electronic Enterprise Co., Ltd.

	For the year ended December 31, 2023	For the year ended December 31, 2022
Revenue	\$ 589,537	\$ 1,000,634
(Loss) profit for the period from continuing operations	(94,093)	10,418
Other comprehensive (loss) income, net of tax	(4,417)	12,904
Total comprehensive (loss) income	(\$ 98,510)	\$ 23,322
Dividends received from associates	\$ 3,754	\$ 16,894

- (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, 2023 and 2022, the carrying amount of the Group's individually immaterial associates amounted to \$676,447 and \$983,410, respectively.

	For the year ended December 31, 2023	For the year ended December 31, 2022
Profit (loss) for the period from continuing operations	\$ 41,225	(\$ 56,263)
Total comprehensive income (loss)	\$ 41,225	(\$ 56,263)

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

	December 31, 2023	December 31, 2022
Lien Chang Electronic Enterprise Co., Ltd.	\$ 433,612	\$ 372,043

- (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, 2023 and 2022, are based on investees' financial statements audited by independent accountants. Gains

on investments accounted for using equity method and other comprehensive net income for the years ended December 31, 2023 and 2022 were \$20,272 and \$212,320, respectively. As of December 31, 2023 and 2022, the balances of investments accounted for using equity method were \$2,514,353 and \$2,406,380, respectively. The credit balances of investments accounted for using equity method were \$83,843 and \$194,811, respectively.

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

(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
<u>At January 1, 2023</u>										
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)
	<u>\$ 5,249,566</u>	<u>\$ 3,757,923</u>	<u>\$ 2,730,687</u>	<u>\$ 1,487,249</u>	<u>\$ 27,107</u>	<u>\$ 549,204</u>	<u>\$ 132,654</u>	<u>\$ 954,445</u>	<u>\$ 4,242,942</u>	<u>\$ 19,131,777</u>
<u>2023</u>										
Opening 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
Additions	-	118,887	12,472	900,494	-	26,467	23,318	277,249	682,822	2,041,709
Acquired from business combinations	-	-	-	121,396	-	-	-	-	207,549	328,945
Disposals	-	(36,665)	-	(20,469)	-	(3,345)	-	(10,970)	-	(71,449)
Reclassifications	252,218	(169,017)	4,429,192	168,991	(5,342)	9,422	27,690	7,563	(4,629,537)	91,180
Depreciation charge	-	(212,534)	(247,890)	(340,631)	(4,288)	(86,601)	(35,042)	(285,791)	-	(1,212,777)
Net exchange differences	1,250	(15,134)	-	(1,472)	-	(207)	(246)	(3,072)	-	(18,881)
Closing net book amount	<u>\$ 5,503,034</u>	<u>\$ 3,443,460</u>	<u>\$ 6,924,461</u>	<u>\$ 2,315,558</u>	<u>\$ 17,477</u>	<u>\$ 494,940</u>	<u>\$ 148,374</u>	<u>\$ 939,424</u>	<u>\$ 503,776</u>	<u>\$ 20,290,504</u>
<u>At December 31, 2023</u>										
Cost	\$ 5,537,731	\$ 8,271,906	\$ 9,726,751	\$ 12,684,730	\$ 522,171	\$ 1,312,043	\$ 688,387	\$ 7,650,845	\$ 503,776	\$ 46,898,340
Accumulated depreciation and impairment	(34,697)	(4,828,446)	(2,802,290)	(10,369,172)	(504,694)	(817,103)	(540,013)	(6,711,421)	-	(26,607,836)
	<u>\$ 5,503,034</u>	<u>\$ 3,443,460</u>	<u>\$ 6,924,461</u>	<u>\$ 2,315,558</u>	<u>\$ 17,477</u>	<u>\$ 494,940</u>	<u>\$ 148,374</u>	<u>\$ 939,424</u>	<u>\$ 503,776</u>	<u>\$ 20,290,504</u>

	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, 2022</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>
<u>2022</u>										
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	<u>\$ 5,249,566</u>	<u>\$ 3,757,923</u>	<u>\$ 2,730,687</u>	<u>\$ 1,487,249</u>	<u>\$ 27,107</u>	<u>\$ 549,204</u>	<u>\$ 132,654</u>	<u>\$ 954,445</u>	<u>\$ 4,242,942</u>	<u>\$ 19,131,777</u>
<u>At December 31, 2022</u>										
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)
	<u>\$ 5,249,566</u>	<u>\$ 3,757,923</u>	<u>\$ 2,730,687</u>	<u>\$ 1,487,249</u>	<u>\$ 27,107</u>	<u>\$ 549,204</u>	<u>\$ 132,654</u>	<u>\$ 954,445</u>	<u>\$ 4,242,942</u>	<u>\$ 19,131,777</u>

- A. For the years ended December 31, 2023 and 2022, borrowing cost capitalized as part of property, plant and equipment amounted to \$4,353 and \$0, respectively.
- 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. As of December 31, 2023, as the competent authority of the area where the land located, New Taipei City government, denied the Company's application for the development, resulting in a default of the joint construction contract. On October 23, 2023, Kindom Development Co., Ltd. sent a letter to Tong-An Investment Co., Ltd. to ask Tong-An Investment Co., Ltd. returning the development guarantee and input development cost in the amount of \$350,000 and \$188,544, respectively. The Group had accrued and recorded \$94,272. Currently, the Group negotiated with Kindom Development Co., Ltd. for attributing input development cost.
- 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.
- E. 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. Subsequently, TECO and Tong-An Assets entered into an agreement with Fuchu General Contractor Co, Ltd. on June 17, 2023 and commissioned Fuchu General Contractor Co, Ltd. to perform the construction. In accordance with the agreement, the Group was required to pay \$1,430,000 for the construction.

(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, 2023 and 2022, the additions to right-of-use assets were \$1,302,995 and \$503,217 and the sublease income were \$1,027,493 and \$805,852, respectively.
- F. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Carrying amount	Carrying amount
	December 31, 2023	December 31, 2022
Land (including royalties)	\$ 4,517,224	\$ 4,654,356
Buildings	2,909,214	2,033,210
Machinery and equipment	19,137	22,547
Transportation equipment (Business vehicles)	27,632	25,053
	<u>\$ 7,473,207</u>	<u>\$ 6,735,166</u>
	Depreciation charge	Depreciation charge
	For the year ended	For the year ended
	December 31, 2023	December 31, 2022
Land (including royalties)	\$ 109,155	\$ 94,684
Buildings	458,426	437,978
Machinery and equipment	10,238	9,028
Transportation equipment (Business vehicles)	13,049	10,161
	<u>\$ 590,868</u>	<u>\$ 551,851</u>

- G. Interest expenses on lease liabilities for the years ended December 31, 2023 and 2022 were \$94,500 and \$74,793 and the cash outflows were \$645,996 and \$570,981, 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, 2023 and 2022 were \$274,313 and \$471,108 and \$22,075 and \$14,412, 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 \$0 and \$5,604 in profit from lease modification for the years ended December 31, 2023 and 2022, respectively.

(10) Investment property

	Land	Buildings and structures	Right-of-use assets	Total
<u>At January 1, 2023</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>
<u>2023</u>				
Opening net book amount	\$ 1,688,929	\$ 1,250,138	\$ 27,829	\$ 2,966,896
Additions	-	697	-	697
Reclassification	(252,218)	161,219	4,631	(86,368)
Depreciation charge	-	(81,202)	(8,284)	(89,486)
Net exchange differences	(30)	(5,905)	(617)	(6,552)
Closing net book amount	<u>\$ 1,436,681</u>	<u>\$ 1,324,947</u>	<u>\$ 23,559</u>	<u>\$ 2,785,187</u>
<u>At December 31, 2023</u>				
Cost	\$ 1,436,681	\$ 3,280,847	\$ 59,941	\$ 4,777,469
Accumulated depreciation and impairment	-	(1,955,900)	(36,382)	(1,992,282)
	<u>\$ 1,436,681</u>	<u>\$ 1,324,947</u>	<u>\$ 23,559</u>	<u>\$ 2,785,187</u>

	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
Reclassification	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>

At December 31, 2022

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>

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, 2023	For the year ended December 31, 2022
Rental income from investment property	<u>\$ 157,720</u>	<u>\$ 128,493</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 80,337</u>	<u>\$ 38,164</u>
Direct operating expenses arising from the investment property that did not generate rental income during the period	<u>\$ 10,782</u>	<u>\$ 5,816</u>

B. The fair value of the investment property held by the Group as at December 31, 2023 and 2022 were \$6,276,183 and \$6,150,083, respectively, which is categorized within Level 3 in the fair value hierarchy.

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

	2023	2022
<u>At January 1</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>
Opening net book amount	\$ 4,555,873	\$ 4,361,731
Net exchange differences	174,443	194,142
Closing net book amount	<u>\$ 4,730,316</u>	<u>\$ 4,555,873</u>
<u>At December 31</u>		
Cost	\$ 5,045,600	\$ 4,871,157
Accumulated amortization and impairment	(315,284)	(315,284)
	<u>\$ 4,730,316</u>	<u>\$ 4,555,873</u>

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

	December 31, 2023	December 31, 2022
Green mechatronic solution business group	<u>\$ 4,730,316</u>	<u>\$ 4,555,873</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, 2023, the goodwill arising from the merger amounted to \$4,704,446.

(12) Other non-current assets

	December 31, 2023	December 31, 2022
Refundable deposits	\$ 311,718	\$ 253,971
Long-term notes and accounts receivable	98,100	131,846
Deferred expenses	26,371	40,199
Other assets	64,399	93,812
	<u>\$ 500,588</u>	<u>\$ 519,828</u>

(13) Short-term borrowings

Type of borrowings	December 31, 2023	Interest rate range	Collateral
Bank borrowings	<u>\$ 1,357,111</u>	0.50%~7.50%	Notes receivable, land, buildings and structures, demand deposits and time deposits
Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank borrowings	<u>\$ 1,751,344</u>	0.70%~7.00%	land, buildings and structures, demand deposits and time deposits

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

Items	December 31, 2023	December 31, 2022
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	\$ <u>5,850</u>	\$ <u>4,144</u>

A. The Group recognized net loss of \$15,044 and \$17,381 on financial liabilities held for trading for the years ended December 31, 2023 and 2022, respectively.

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

December 31, 2023			
Derivative instrument	Contract period	Contract amount (Notional principal)	Fair value
Forward foreign exchange contracts			
BUY AUD/SELL USD	November 15, 2023 ~ February 22, 2024	USD 65,000	\$ 74
BUY AUD/SELL EUR	December 1, 2023 ~ February 27, 2024	EUR 531,960	273
BUY USD/SELL AUD	November 16, 2023 ~ February 26, 2024	AUD 2,800,000	1,580
BUY USD/SELL EUR	November 3, 2023 ~ March 26, 2024	EUR 1,350,000	795
BUY JPY/SELL USD	November 27, 2023 ~ February 26, 2024	JPY 58,000,000	353
Interest rate swap			
BUY TWD/SELL USD	December 8, 2023 ~ January 25, 2024	USD 5,000,000	2,775
			<u>\$ 5,850</u>

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

(15) Hedging financial assets and liabilities

	December 31, 2023			
	Assets		Liabilities	
	Current	Non-current	Current	Non-current
Cash flow hedges:				
<u>Exchange rate risk</u>				
Forward foreign exchange contracts	\$ -	\$ -	\$ 5,025	\$ -

A. As of December 31, 2022, the Group had no hedging financial assets or liabilities.

B. Hedge accounting is applied to remove the accounting inconsistency between the hedging instrument and the hedged item. To hedge the risk arising from foreign currency denominated future commercial transactions, the Group uses forward foreign exchange transactions to control the exchange rate risk under their acceptable range as the exchange rate fluctuations will change future cash flows.

C. Transaction information associated with the Group adopting hedge accounting is as follows:

December 31, 2023					2023		
Hedging instruments	Notional amount	Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognising hedge ineffectiveness basis	Average price or fee	Gains (losses) on valuation of ineffective hedge that will be recognised in financial assets/liabilities at fair value through profit or loss
Cash flow hedges							
<u>Exchange rate risk</u>							
Forward foreign exchange transactions	USD 8,328	November 28, 2023 ~ February 26, 2024	\$ -	(\$ 5,025)	\$ -	30.54	\$ -

D. Cash flow hedge:

	2023
<u>Other equity - cash flow hedge reserve</u>	
At January 1	\$ -
Add: Losses on hedge effectiveness-amount recognised in other comprehensive income	(5,025)
At December 31	<u>(\$ 5,025)</u>

Exchange rate risk

To hedge exposed exchange rate risk arising from forecast input cost of construction in progress, the Group entered into a forward forecast purchase agreement of US dollar, and the hedge ratio is 1:1. The effective portion with respect to the changes in the fair value of the hedging instruments is deferred to recognise in the cash flow hedge reserve, which is under other comprehensive income, and will be directly included in the cost of construction in progress when the hedged items are subsequently recognised in construction in progress.

(16) Other payables

	December 31, 2023	December 31, 2022
Salary and wages payable	\$ 2,545,264	\$ 2,193,042
Employees' compensation payable	843,910	688,059
Dealers' bonus commission payable	127,145	189,936
Directors' and supervisors' remuneration payable	142,032	160,522
Equipment payable	130,788	105,166
Dividends payable	62,359	27,860
Others	2,642,552	2,629,612
	<u>\$ 6,494,050</u>	<u>\$ 5,994,197</u>

(17) Bonds payable

	December 31, 2023	December 31, 2022
Issuance of bonds payable	<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, 2023
Long-term bank borrowings and commercial papers payable	Both borrowing periods are from October 1, 2019 to June 27, 2038; payable based on the agreed terms.	1.35%~9.31%	Note	\$ 3,549,846

Less: Current portion (listed as '2320 Long-term liabilities, current portion') (484,224)
\$ 3,065,622

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, 2035; 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)
\$ 3,427,355

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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations (\$	1,592,266)	(\$ 1,704,855)
Fair value of plan assets	<u>306,377</u>	<u>367,030</u>
Net defined benefit liability	<u>(\$ 1,285,889)</u>	<u>(\$ 1,337,825)</u>

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

	<u>2023</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
At January 1	(\$ 1,704,854)	\$ 367,029	(\$ 1,337,825)
Current service cost	(3,004)	-	(3,004)
Interest (expense) income	(28,013)	4,952	(23,061)
	<u>(1,735,871)</u>	<u>371,981</u>	<u>(1,363,890)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,320	2,320
Change in demographic assumptions	(255)	-	(255)
Change in financial assumptions	(28,815)	-	(28,815)
Experience adjustments	(6,760)	94	(6,666)
	<u>(35,830)</u>	<u>2,414</u>	<u>(33,416)</u>
Pension fund contribution	-	94,573	94,573
Paid pension	165,029	(165,029)	-
Paid from the account	8,332	-	8,332
Effect of business combination changes	8,512	-	8,512
Transfer	(2,438)	2,438	-
At December 31	<u>(\$ 1,592,266)</u>	<u>\$ 306,377</u>	<u>(\$ 1,285,889)</u>

	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
	<u>(1,918,641)</u>	<u>359,432</u>	<u>(1,559,209)</u>
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)
	<u>66,615</u>	<u>28,126</u>	<u>94,741</u>
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	<u>(\$ 1,704,854)</u>	<u>\$ 367,029</u>	<u>(\$ 1,337,825)</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 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, 2023	For the year ended December 31, 2022
Discount rate	1.03%~6.65%	1.20%~7.06%
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, 2023</u>				
Effect on present value of defined benefit obligation	\$ 31,117	(\$ 52,002)	(\$ 52,138)	\$ 31,666
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	\$ 49,042	(\$ 51,212)	(\$ 51,518)	\$ 48,568

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, 2024 amount to \$106,141.
- (g) The weighted average duration of the defined benefit obligation was 4~12.5 years as of December 31, 2023.
- 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, 2023 and 2022 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, 2023 and 2022 were \$472,806 and \$477,977, respectively.

(20) Share capital

- A. As of December 31, 2023, 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.

	2023	2022
At January 1 (At December 31)	2,138,797	2,138,797

Note: Shares in thousands.

- B. 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, 2023 and 2022, 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, 2023		
	Shares (in thousands)	Cost (in dollars)	Market value (in dollars)
Tong-An Investment Co., Ltd.	19,540	\$ 14.92	\$ 46.80
An-Tai International Investment Co., Ltd.	2,826	10.37	46.80
Top-Tower Enterprises Co., Ltd.	77	9.37	46.80
Taiwan Pelican Express Co., Ltd.	7,070	26.89	46.80
	29,513		
	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
	29,513		

(21) Capital surplus

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

(22) Retained earnings

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

(a) Payment of taxes and duties.

- (b) Covering prior years' accumulated deficit, if any.
- (c) After deducting items (a) and (b), set aside 10% of the remaining amount as legal reserve.
- (d) Set aside a certain amount as special reserve, if any.
- (e) Distributing the remaining amount plus prior years' retained earnings to shareholders according to their shareholding percentage. The distribution rate is principally 80%, of which cash dividends shall account for 5% ~ 50% of the distributed amount. Stock dividends shall be approved by the shareholders at the shareholders' meeting while cash dividends shall be approved by the Board of Directors under a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors and reported to the shareholders at the shareholders' meeting.
- B. The Company's dividend policy is summarized below:
- The Company's operating environment is in the stable growth stage. However, investee companies are still in the growth stage. In view of the future plant expansion and investment plans, the appropriations of earnings are based on the distributable earnings and appropriate principally 80% to shareholders as dividends. Cash dividends shall account for at least 5% up to maximum of 50% of total dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1090150022, dated March 31, 2021, 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, 2023, 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 2022 and 2021 net income was respectively resolved by the stockholders on May 24, 2023 and May 20, 2022 as follows:

	For the year ended December 31,2022		For the year ended December 31,2021	
	Dividend per share		Dividend per share	
	Amount	(in dollars)	Amount	(in dollars)
Legal reserve	\$ 338,042		\$ 525,009	
Cash dividends	3,208,195	\$ 1.50	2,887,375	\$ 1.35

F. The appropriations of the 2023 net income was respectively resolved by the stockholders on March 15, 2024 as follows:

		For the year ended December 31, 2023		
		Amount	Dividend per share (in dollars)	
Legal reserve		\$ 626,570		
Cash dividends		4,705,353	\$	2.20
(23) <u>Other equity items</u>				
	Unrealized gains (losses) on valuation	Hedging reserve	Currency translation	Total
At January 1, 2023	\$ 20,805,870	\$ -	(\$ 2,453,451)	\$ 18,352,419
Unrealized gains and losses on financial assets:				
Revaluation - group	(2,660,000)	-	-	(2,660,000)
Revaluation - associates	2,298	-	-	2,298
Revaluation - tax	(19,424)	-	-	(19,424)
Revaluation transferred to retained earnings	(498,467)	-	-	(498,467)
Revaluation transferred to retained earnings-tax	19,424	-	-	19,424
Cash flow hedge:				
Fair value loss	-	(5,025)	-	(5,025)
Currency translation differences:				
–Group	-	-	173,435	173,435
At December 31, 2023	<u>\$ 17,649,701</u>	<u>(\$ 5,025)</u>	<u>(\$ 2,280,016)</u>	<u>\$ 15,364,660</u>
	Unrealized gains (losses) on valuation	Hedging reserve	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	<u>\$ 20,805,870</u>	<u>\$ -</u>	<u>(\$ 2,453,451)</u>	<u>\$ 18,352,419</u>

(24) Operating revenue

	For the year ended December 31, 2023	For the year ended December 31, 2022
Revenue from customers	\$ 58,344,519	\$ 57,397,037
Others - rental revenue	1,049,142	918,179
	<u>\$ 59,393,661</u>	<u>\$ 58,315,216</u>

A. Disaggregation of revenue from customers

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

	For the year ended December 31, 2023	For the year ended December 31, 2022
	Revenue from external customer contracts	Revenue from external customer contracts
Sales of green mechatronic solution business group products	\$ 34,057,908	\$ 33,153,803
Sales of air and intelligent life business group product	5,231,092	5,738,073
Others	1,209,375	1,537,373
Service revenue	8,298,602	8,695,090
Construction contract	9,547,542	8,272,698
	<u>\$ 58,344,519</u>	<u>\$ 57,397,037</u>

B. Revenue recognized that was included in the contract liability balance at the beginning of the period

	For the year ended December 31, 2023	For the year ended December 31, 2022
Revenue recognized that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	<u>\$ 801,128</u>	<u>\$ 515,273</u>

(25) Interest income

	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest income from bank deposits	\$ 616,945	\$ 226,290
Interest income from financial assets measured at amortised cost	2,278	6,787
	<u>\$ 619,223</u>	<u>\$ 233,077</u>

(26) Other income

	For the year ended December 31, 2023	For the year ended December 31, 2022
Rental revenue	\$ 173,958	\$ 157,159
Dividend income	1,194,966	1,128,492
Other non-operating income	318,971	258,706
	<u>\$ 1,687,895</u>	<u>\$ 1,544,357</u>

(27) Other gains and losses

	For the year ended December 31, 2023	For the year ended December 31, 2022
Gain (loss) on disposal of property, plant and equipment	\$ 155	(\$ 4,241)
Gain on disposal of investments	117,357	-
(Loss) gain arising from lease modifications	(681)	11,912
Gains arising from concession of lease payments	-	5,604
Net currency exchange gain	58,035	209,092
Gain (loss) on financial assets at fair value through profit or loss	323,320	(1,131,130)
Loss on financial liabilities at fair value through profit or loss	(15,044)	(17,381)
Estimated development loss (note)	(94,272)	-
Miscellaneous disbursements	(786,627)	(489,435)
	<u>(\$ 397,757)</u>	<u>(\$ 1,415,579)</u>

Note: Information relating to estimated development loss is provided in Note 6(8)B.

(28) Finance costs

	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest expense	\$ 320,292	\$ 201,592
Other finance expenses	2,107	2,371
	<u>\$ 322,399</u>	<u>\$ 203,963</u>

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

	For the year ended December 31, 2023	For the year ended December 31, 2022
Wages and salaries	\$ 8,842,096	\$ 8,795,632
Employees' compensation and directors' remuneration	956,433	651,578
Labor and health insurance fees	1,145,270	1,139,746
Pension costs	498,871	490,524
Other personnel expenses	417,720	451,346
Depreciation charges on property, plant and equipment as well as investment property	1,302,263	1,169,554
Depreciation charges on right-of -use assets and amortization charges on intangible assets	685,394	633,892

- 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, 2023 and 2022, employees' compensation was accrued at \$511,867 and \$282,888, respectively; while directors' remuneration was accrued at \$102,374 and \$125,710, respectively. The aforementioned amounts were recognized in salary expenses.
- C. For the year ended December 31, 2023, 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 \$409,494 and \$102,374, and the employees' compensation will be distributed in the form of cash. The difference of \$40 between employees' compensation of \$282,888 and the difference of \$46,184 between directors' remuneration of \$125,710 as resolved by the Board of Directors which is mainly arising from changes in estimate of directors' remuneration and the amount recognised in the 2022 financial statements had been adjusted in the profit or loss of 2023. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Current tax:		
Current tax on profits for the period	\$ 1,924,077	\$ 1,338,802
Tax on undistributed surplus earnings	2,971	93,172
Prior year income tax (over) under estimation	(42,505)	11,668
Effect from Alternative Minimum tax	-	68
Total current tax	<u>1,884,543</u>	<u>1,443,710</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>57,569</u>	(<u>13,895</u>)
Total deferred tax	<u>57,569</u>	(<u>13,895</u>)
Income tax expense	<u>\$ 1,942,112</u>	<u>\$ 1,429,815</u>

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

	For the year ended December 31, 2023	For the year ended December 31, 2022
Current tax:		
Changes in fair value of financial assets at fair value through other comprehensive income	\$ <u>19,424</u>	\$ <u>-</u>
Deferred tax:		
Currency translation differences	(5,523)	311,456
Remeasurement of defined benefit obligations	<u>380</u>	<u>2,982</u>
Total deferred tax	(<u>5,143</u>)	<u>314,438</u>
Income tax charge relating to components of other comprehensive income	<u>\$ 14,281</u>	<u>\$ 314,438</u>

B. Reconciliation between income tax expense and accounting profit:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Tax calculated based on profit before tax and statutory tax rate	\$ 2,188,637	\$ 1,530,249
Expenses disallowed by tax regulation	(246,331)	(168,771)
Effect from investment tax credits	(39,441)	(38,441)
Prior year income tax (over)underestimation	(42,505)	11,668
Over(under)estimation of prior year's net deferred tax assets and liabilities	7,927	(13,594)
Tax on undistributed surplus earnings	2,971	93,172
Effect from Alternative Minimum Tax	-	68
Others	70,854	15,464
Income tax expense	<u>\$ 1,942,112</u>	<u>\$ 1,429,815</u>

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

	2023			
	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	182,597	-	5,523	188,120
Difference resulting from different useful lives of property, plant and equipment between financial and tax basis	45,629	1,308	-	46,937
Unrealized expenses	218,545	2,023	-	220,568
Permanent loss on investments	35,080	-	-	35,080
Loss on inventory	137,532	(36,647)	-	100,885
Bad debt exceeded the limit stated by Income Tax Law	8,210	(769)	-	7,441
Amortisation on capitalisation of research and development expense	66,047	101,472	-	167,519
Others	212,189	79,856	(380)	291,665
Tax losses	195,904	(4,283)	-	191,621
	<u>\$ 1,198,512</u>	<u>\$ 142,960</u>	<u>\$ 5,143</u>	<u>\$ 1,346,615</u>
— Deferred tax liabilities:				
Investment income from foreign investments	\$ 1,152,294	\$ 218,620	\$ -	\$ 1,370,914
Land value incremental reserve	1,052,604	157	-	1,052,761
Others	227,385	(18,248)	-	209,137
	<u>\$ 2,432,283</u>	<u>\$ 200,529</u>	<u>\$ -</u>	<u>\$ 2,632,812</u>
	<u>(\$ 1,233,771)</u>	<u>(\$ 57,569)</u>	<u>\$ 5,143</u>	<u>(\$ 1,286,197)</u>

	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
Amortisation on capitalisation of research and development expense	-	66,047	-	66,047
Others	222,175	(7,004)	(2,982)	212,189
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
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>

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

December 31, 2023				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
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 assessed	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
2023	Amount filed	9,904	9,904	2033
		<u>\$ 1,445,756</u>	<u>\$ 837,263</u>	
December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
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>	

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

	December 31, 2023	December 31, 2022
Deductible temporary differences	<u>\$ 638,088</u>	<u>\$ 1,518,761</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, 2023 and 2022, the amounts of temporary differences unrecognised as deferred tax liabilities were \$5,107,288 and \$5,107,288, respectively.

G. As of December 31, 2023, the Company and its subsidiaries' income tax returns through various years between 2019 and 2022, respectively, have been assessed and approved by the Tax Authority.

H. The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

(31) Earnings per share

For the year ended December 31, 2023			
		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
	Amount after tax	(in thousands)	
<u>Basic (Diluted) earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 5,830,061	2,109,284	\$ 2.76

Note: The earnings per share of \$2.73 (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, 2022			
		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
	Amount after tax	(in thousands)	
<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.

(32) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Acquisition of property, plant and equipment	\$ 2,041,709	\$ 2,878,076
Add:		
Payables at beginning of the period	105,166	131,883
Less:		
Payables at end of the period	(130,788)	(105,166)
Less:		
Offsetting account receivable with recovering properties	(5,850)	-
Cash paid	\$ 2,010,237	\$ 2,904,793

B. On January 18, 2023, the Group acquired 100% of the share capital of Tai-Peng Energy Co., Ltd.. The following table summarises the carrying amount of assets and liabilities of Tai-Peng Energy Co., Ltd.:

	<u>January 18, 2023</u>
Cash	\$ 529
Accounts receivable	3,113
Other current assets	6,755
Property, plant and equipment	328,945
Other non-current assets	11,971
Bank borrowings	(153,772)
Other payables	(166,370)
Other current liabilities	(49)
	<u>\$ 31,122</u>
Consideration for the acquisition of the subsidiary	\$ 29,954
Balance of cash in the subsidiary	(529)
Effect on net cash from the consolidated subsidiary	<u>\$ 29,425</u>

(33) Changes in liabilities from financing activities

	Short-term borrowings	Dividends payable (Note 1)	Bonds payable (Note 2)	Long-term borrowings (Note 2)	Lease liabilities	Liabilities from financing activities - gross
January 1, 2023	\$ 1,751,344	\$ 27,860	\$ 5,000,000	\$ 3,655,514	\$ 5,072,407	\$ 15,507,125
Interest expenses on lease liabilities	-	-	-	-	94,500	94,500
Recognised in right -of-use assets	-	-	-	-	1,302,995	1,302,995
Remeasurement	-	-	-	-	(2,426)	(2,426)
Changes in cash flow from financing activities (	394,233)	-	-	(105,668)	(620,778)	(1,120,679)
Other	-	34,499	-	-	-	34,499
Effect of foreign exchange	-	-	-	-	30,823	30,823
December 31, 2023	<u>\$ 1,357,111</u>	<u>\$ 62,359</u>	<u>\$ 5,000,000</u>	<u>\$ 3,549,846</u>	<u>\$ 5,877,521</u>	<u>\$ 15,846,837</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, 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>

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, 2023 and 2022, the non-controlling interest amounted to \$6,294,190 and \$6,293,565, 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, 2023		December 31, 2022	
		Amount	Ownership	Amount	Ownership
Tecom Co., Ltd. and subsidiaries	R.O.C	\$ 296,949	36.48%	\$ 306,373	36.48%
Taiwan Pelican Express Co., Ltd. and subsidiaries	R.O.C	1,482,354	66.62%	1,464,513	66.62%
Century Development Corporation and subsidiaries	R.O.C	2,898,448	47.25%	2,896,734	47.25%
Information Technology Total Services Co., Ltd. and subsidiaries	R.O.C	297,289	50.99%	282,276	50.99%

B. Summarized financial information of the subsidiaries:

Balance sheets

	Tecom Co., Ltd. and subsidiaries	
	December 31, 2023	December 31, 2022
Current assets	\$ 728,603	\$ 998,137
Non-current assets	671,631	894,809
Current liabilities	(707,924)	(974,105)
Non-current liabilities	(227,642)	(443,822)
Total net assets	\$ 464,668	\$ 475,019

	Taiwan Pelican Express Co., Ltd. and subsidiaries	
	December 31, 2023	December 31, 2022
Current assets	\$ 1,685,499	\$ 1,829,560
Non-current assets	2,662,036	2,741,422
Current liabilities	(996,973)	(1,168,495)
Non-current liabilities	(1,125,474)	(1,204,179)
Total net assets	\$ 2,225,088	\$ 2,198,308

Century Development Corporation and subsidiaries		
	December 31, 2023	December 31, 2022
Current assets	\$ 992,807	\$ 605,583
Non-current assets	11,033,580	10,577,104
Current liabilities	(992,674)	(1,054,477)
Non-current liabilities	(4,363,002)	(3,468,169)
Total net assets	\$ 6,670,711	\$ 6,660,041

Information Technology Total Services Co., Ltd. and subsidiaries		
	December 31, 2023	December 31, 2022
Current assets	\$ 774,813	\$ 613,290
Non-current assets	236,732	272,321
Current liabilities	(415,954)	(315,475)
Non-current liabilities	(12,158)	(16,558)
Total net assets	\$ 583,433	\$ 553,578

Statements of comprehensive income

Tecom Co., Ltd. and subsidiaries		
	For the year ended December 31, 2023	For the year ended December 31, 2022
Revenue	\$ 804,032	\$ 1,010,890
(Loss) profit before income tax	(14,409)	41,080
Income tax expense	(5,782)	(8,488)
(Loss) profit for the period	(20,191)	32,592
Other comprehensive income (loss) (net of tax)	30,659	(24,780)
Total comprehensive income for the period	\$ 10,468	\$ 7,812
Comprehensive income attributable to non-controlling interest	\$ 2,736	\$ 17,595

Taiwan Pelican Express Co., Ltd. and subsidiaries		
	For the year ended December 31, 2023	For the year ended December 31, 2022
Revenue	\$ 4,188,461	\$ 4,509,706
Profit before income tax	115,588	216,207
Income tax expense	(21,092)	(39,765)
Profit for the period	94,496	176,442
Other comprehensive income (loss) (net of tax)	75,579	(528,480)
Total comprehensive income (loss) for the period	\$ 170,075	(\$ 352,038)
Comprehensive income (loss) attributable to non-controlling interest	\$ 113,304	(\$ 238,858)
Dividends paid to non-controlling interest	\$ 95,400	\$ 133,560
Century Development Corporation and subsidiaries		
	For the year ended December 31, 2023	For the year ended December 31, 2022
Revenue	\$ 1,348,049	\$ 891,427
Profit before income tax	430,221	428,897
Income tax expense	(90,867)	(83,092)
Profit for the period	339,354	345,805
Other comprehensive (loss) income (net of tax)	(2,342)	20,324
Total comprehensive income for the period	\$ 337,012	\$ 366,129
Comprehensive income attributable to non-controlling interest	\$ 184,730	\$ 184,609
Dividends paid to non-controlling interest	\$ 154,197	\$ 142,590

Information Technology Total Services Co., Ltd. and subsidiaries		
	For the year ended December 31, 2023	For the year ended December 31, 2022
Revenue	\$ 1,343,318	\$ 1,330,274
Profit before income tax	89,356	65,932
Income tax expense	(15,193)	(10,291)
Profit for the period	74,163	55,641
Other comprehensive (loss) income (net of tax)	(591)	4,890
Total comprehensive income for the period	\$ 73,572	\$ 60,531
Comprehensive income attributable to non-controlling interest	\$ 30,026	\$ 28,370
Dividends paid to non-controlling interest	\$ 22,291	\$ 27,865
<u>Statements of cash flows</u>		

Tecom Co., Ltd. and subsidiaries		
	For the year ended December 31, 2023	For the year ended December 31, 2022
Net cash provided by operating activities	\$ 51,455	\$ 82,101
Net cash provided by investing activities	290,369	70,665
Net cash used in financing activities	(463,490)	(71,118)
(Decrease) increase in cash and cash equivalents	(121,666)	81,648
Cash and cash equivalents, beginning of period	265,304	183,656
Cash and cash equivalents, end of period	\$ 143,638	\$ 265,304

Taiwan Pelican Express Co., Ltd. and subsidiaries		
	For the year ended December 31, 2023	For the year ended December 31, 2022
Net cash provided by operating activities	\$ 295,418	\$ 583,366
Net cash used in investing activities	(64,664)	(175,940)
Net cash used in financing activities	(353,561)	(411,592)
Effect of exchange rates on cash and cash equivalents	(224)	865
Decrease in cash and cash equivalents	(123,031)	(3,301)
Cash and cash equivalents, beginning of period	1,050,531	1,053,832
Cash and cash equivalents, end of period	<u>\$ 927,500</u>	<u>\$ 1,050,531</u>
Century Development Corporation and subsidiaries		
	For the year ended December 31, 2023	For the year ended December 31, 2022
Net cash provided by operating activities	\$ 746,475	\$ 693,661
Net cash used in investing activities	(1,333,596)	(1,356,591)
Net cash provided by financing activities	521,872	315,796
Effect of exchange rates on cash and cash equivalents	688	(12,271)
Decrease in cash and cash equivalents	(64,561)	(359,405)
Cash and cash equivalents, beginning of period	254,140	613,545
Cash and cash equivalents, end of period	<u>\$ 189,579</u>	<u>\$ 254,140</u>

Information Technology Total Services Co., Ltd. and subsidiaries		
	For the year ended December 31, 2023	For the year ended December 31, 2022
Net cash provided by operating activities	\$ 168,275	\$ 72,224
Net cash provided by investing activities	17,713	18,494
Net cash used in financing activities	(50,190)	(61,001)
Effect of exchange rates on cash and cash equivalents	(536)	1,495
Increase in cash and cash equivalents	135,262	31,212
Cash and cash equivalents, beginning of period	171,492	140,280
Cash and cash equivalents, end of period	\$ 306,754	\$ 171,492

(35) Business combinations

- A. On January 18, 2023, the Group acquired 100% of the share capital of Tai-Peng Energy Co., Ltd. for \$29,954 and obtained the control over Tai-Peng Energy Co., Ltd. As a result of the acquisition, the Group is expected to gradually complete and expand the Group's plan in the green energy industry.
- B. The following table summarises the consideration paid for Tai-Peng Energy Co., Ltd. and the fair values of the assets acquired and liabilities assumed at the acquisition date:

	January 18, 2023
Purchase consideration	
Cash	\$ 29,954
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	529
Accounts receivable	3,113
Other current assets	6,755
Property, plant and equipment	328,945
Other non-current assets	11,971
Bank borrowings	(153,772)
Other payables	(166,370)
Other current liabilities	(49)
Total identifiable net assets	31,122
	(\$ 1,168)

- C. The fair value of the acquired identifiable net assets is provisional pending receipt of the final valuations for those assets.
- D. Had Tai-Peng Energy Co., Ltd. been consolidated from January 1, 2023, the consolidated statement of comprehensive income would show operating revenue of \$59,394,630 and profit before income tax of \$8,274,283.

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)	Note 1	Jinglaoman Food & Beverage Co., Ltd. (Jinglaoman)	Associates
Teco (PHILIPPINES) 3C & Appliances, Inc. (Teco 3C)	Associates	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 2	Teco Image System Co., Ltd. (Teco Image)	"
Teco-Motech Co., Ltd. (Teco-Motech)	Associates	Taiwan Art & Business Interdisciplinary Foundation (Taiwan Art)	"
Shanghai Xiangseng Mechanical and Electrical Trading Co., Ltd.	"	Teco Technology Foundation (Teco Found)	"
ZEPT Inc. (ZEPT)	"	YUBAN & COMPANY (YUBAN)	"
Teco Technology & Marketing Center Co., Ltd. (TTMC)	Note 3	An-Hui Information Technology., Ltd. (An-Hui Technology)	"

Note 1: The company is no longer a related party of the Company since the Company sold its owned shares of TME to Ali Zaid Al Quraishi & Brothers Co. in the fourth quarter of 2023.

Note 2: The investee has been liquidated in 2022.

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, 2023	For the year ended December 31, 2022
Sales of goods and services:		
Associates	\$ 455,223	\$ 432,860
Other related parties	325,011	371,114
	<u>\$ 780,234</u>	<u>\$ 803,974</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, 2023	For the year ended December 31, 2022
Purchases of goods:		
Associates	\$ 124,314	\$ 162,315
Other related parties	13,989	18,808
	<u>\$ 138,303</u>	<u>\$ 181,123</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, 2023	December 31, 2022
Receivables from related parties:		
Associates	\$ 107,447	\$ 204,621
Other related parties	86,729	97,477
	<u>194,176</u>	<u>302,098</u>
Other receivables - others		
Associates	52,875	84,502
Other related parties	20,401	2,425
	<u>73,276</u>	<u>86,927</u>
	<u>\$ 267,452</u>	<u>\$ 389,025</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 reimbursement.

D. Payables to related parties:

	December 31, 2023	December 31, 2022
Payables to related parties:		
Associates	\$ 35,534	\$ 45,134
Other related parties	3,743	4,056
	<u>\$ 39,277</u>	<u>\$ 49,190</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, 2023	For the year ended December 31, 2022
Associates	\$ 23,512	\$ 17,427
Other related parties	20,513	20,728
	<u>\$ 44,025</u>	<u>\$ 38,155</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. Loans to related parties:

For the year ended December 31, 2023

	Maximum outstanding		
	balance	Ending balance	Interest income
Other related parties	\$ 18,733	\$ 18,707	\$ 640

The loans to other related parties are repayable over 1 year and carry interest at 5.23% per annum for the year ended December 31, 2023.

G. Others

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, 2023	For the year ended December 31, 2022
Short-term employee benefits	\$ 229,580	\$ 243,738
Long-term employee benefits	26,416	11,058
Post-employment benefits	8,929	11,435
	<u>\$ 264,925</u>	<u>\$ 266,231</u>

8. Pledged Assets

Pledged asset	December 31, 2023	December 31, 2022	Purpose
Notes receivable	\$ 22,014	-	Short-term borrowings and deposits for acceptance bill
Other current assets			
Demand deposits	94,318	315,635	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	-	14,969	Earmarked construction projects
Time deposits	73,879	244,210	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	242,530	460,000	Long-term borrowings
Non-current financial assets at amortised cost	10,000	10,000	Performance guarantee
Property, plant, and equipment			
Land	91,581	77,392	Long-term borrowings, short-term borrowings
Buildings and structures	9,806	-	"
Leased asset-buildings and structures	4,332,843	-	"
Machinery and equipment	631,687	140,750	"
Right-of-use assets	771,910	793,198	"
Other non-current assets			
Refundable deposits	71,772	64,298	Exercise guarantee or warranty for construction and exercise guarantee for tender
	<u>\$ 6,352,340</u>	<u>\$ 2,120,452</u>	

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Contingencies

- A. On October 23, 2023, Kindom Development Co., Ltd. filed a lawsuit to the Taiwan Taipei District Court against the Company's subsidiary, Tong-An Investment Co., Ltd., alleging that Tong-An Investment Co., Ltd. shall perform the obligation of the xinzhuang industrial park join construction contract and claiming that the Group shall return \$538,544 to the company, including performance bond of \$350,000 which paid by Kindom Development Co., Ltd. for implementing urban renewal program and urban renewal fee of \$188,544. The Group had accrued and recorded based on the possible payment amounting to \$94,272. As of March 15, 2024, the case is still under the assessment of the court.
- B. On January 10, 2023, Teco Electirc & Machinery Pte Ltd., a subsidiary of the Group, received a notice from a customer, claiming that the subsidiary of the Group shall pay SGD\$1,282 and related interest because the product did not meet their needs. The Group has estimated and accounted for the possible payment amount in 2023. The relevant mediation procedures is still undergoing.

(2) Commitments

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

	December 31, 2023	December 31, 2022
Property, plant and equipment	\$ 1,541,787	\$ 560,228
Intangible assets	2	7,638
	<u>\$ 1,541,789</u>	<u>\$ 567,866</u>

- B. As of December 31, 2023, the outstanding usance L/C used for acquiring raw materials and equipment was \$81,751.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

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. As of March 15, 2024, the Company and Fu Chang had reached a settlement, and the Company expected to pay \$60,000 to Fu Chang.

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

The related information of the Company's financial assets (cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables (including related parties), guarantee deposits paid, restricted bank deposits, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income) and financial liabilities (short-term borrowings, notes payable, accounts payable, other payables (including related parties), lease liabilities (current/non-current), bonds payable (including current portion), long-term borrowings (including current portion), financial liabilities for hedging, financial liabilities at fair value through profit or loss) is provided in the consolidated balance sheet and Note 6.

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)、6(14) 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)、6(14) and 6(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, 2023

		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	\$ 87,345	30.7050	\$ 2,681,928	1%	\$ 26,819	\$ -
EUR:NTD	EUR	10,045	33.9800	341,329	1%	3,413	-
USD:RMB	USD	43,969	7.0961	1,350,068	1%	13,501	-
RMB:NTD	RMB	26,892	4.3270	116,362	1%	1,164	-
AUD:NTD	AUD	8,140	20.9800	170,777	1%	1,708	-
USD:SGD	USD	12,405	1.3184	380,896	1%	3,809	-
USD:EUR	USD	9,265	0.9036	284,482	1%	2,845	-
CAD:USD	CAD	6,258	0.7556	145,186	1%	1,452	-
USD:MRD	USD	5,372	4.5789	164,947	1%	1,649	-
<u>Non-monetary items</u>							
USD:NTD	USD	746,071	30.7050	22,908,110			
EUR:NTD	EUR	148,532	33.9800	5,047,117			
SGD:NTD	SGD	129,463	23.2900	3,015,193			
VND:NTD	VND	226,099,231	0.0013	293,929			
MRD:NTD	MRD	8,777	6.7058	58,857			
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	USD	57,181	30.7050	1,755,743	1%	17,557	-
USD:SGD	USD	3,316	1.3184	101,818	1%	1,018	-
USD:MRD	USD	5,373	4.5789	164,978	1%	1,650	-
USD:VND	USD	4,282	1.4635	131,479	1%	1,315	-

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:MRD	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			
MRD: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:MRD	9,939	4.3902	305,227	1%	3,052	-
USD:AUD	7,497	1.4743	230,233	1%	2,302	-
USD:SGD	3,539	1.3422	108,683	1%	1,087	-

- v. Total exchange gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022 amounted to \$58,035 and \$209,092, 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, 2023 and 2022 would have increased/decreased by \$123,094 and \$106,785, 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 \$1,535,974 and \$1,716,610, 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, would have been \$9,814 and \$11,676 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:
- It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - The disappearance of an active market for that financial asset because of financial difficulties;
 - Default or delinquency in interest or principal repayments;
 - 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, 2023 and 2022, the loss rate methodology is as follows:

December 31, 2023			
	Expected credit loss rate	Total book value	Loss allowance
Not past due	0%~1%	\$ 8,798,254	(\$ 11,330)
Up to 30 days	0%~2%	1,211,495	(6,023)
31 to 90 days	1%~20%	811,799	(34,792)
91 to 180 days	1%~100%	311,073	(25,668)
Over 180 days	1%~100%	426,777	(124,460)
		<u>\$ 11,559,398</u>	<u>(\$ 202,273)</u>
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, 2023			
	Expected credit loss rate	Total book value	Loss allowance
Individual	100%	\$ 26,318	(\$ 26,318)
Group A	0%~5%	5,878,068	(14,367)
Group B	0%~10%	1,940,214	(3,925)
Group C	1%~20%	1,422,730	(31,937)
Group D	1%~40%	619,505	(17,095)
Group E	1%~100%	1,672,563	(108,631)
		<u>\$ 11,559,398</u>	<u>(\$ 202,273)</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>

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

		2023
		Notes receivable and accounts receivable
At January 1		\$ 217,225
Provision for impairment		18,359
Write-offs during the period	(	36,355)
Effect of foreign exchange		3,044
At December 31		<u>\$ 202,273</u>
		2022
		Notes receivable and accounts receivable
At January 1		\$ 168,327
Provision for impairment		52,379
Write-offs during the period	(	13,870)
Effect of foreign exchange		10,389
At December 31		<u>\$ 217,225</u>

For the years ended December 31, 2023 and 2022, the Group recognized impairment losses from other receivables at amortised cost amounting to \$13,432 and \$5,236, 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, 2023 and 2022, the undrawn credit amounts are \$21,890,567 and \$22,052,652, respectively.
 - iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2023	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	\$ 1,357,111	\$ -	\$ -	\$ -	\$ -
Notes payable	548,232	-	-	-	-
Accounts payable	8,701,911	-	-	-	-
Lease liabilities	649,694	599,999	559,142	1,070,604	4,558,181
Other payables	6,494,050	-	-	-	-
Bonds payable (including current portion)	-	5,000,000	-	-	-
Long-term borrowings (including current portion)	752,878	1,041,560	291,366	389,795	1,143,773

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	\$ 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

iv. As of December 31, 2023 and 2022, 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, 2023</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 instrument/equity securities	\$ 2,461,875	\$ -	\$ 1,106,331	\$ 3,568,206
Non-hedging derivatives	-	787	-	787
Financial assets at fair value through other comprehensive income				
Equity instrument/equity securities	30,719,487	-	191,631	30,911,118
	<u>\$ 33,181,362</u>	<u>\$ 787</u>	<u>\$ 1,297,962</u>	<u>\$ 34,480,111</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Non-hedging derivatives	\$ -	\$ 5,850	\$ -	\$ 5,850
Financial liabilities for hedging	-	5,025	-	5,025
	<u>\$ -</u>	<u>\$ 10,875</u>	<u>\$ -</u>	<u>\$ 10,875</u>

<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 instrument/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 instrument/equity securities	34,332,208	-	195,255	34,527,463
	<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	\$ -	\$ 4,144	\$ -	\$ 4,144

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, 2023 and 2022, 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, 2023 and 2022:

	Non-derivative equity	
	For the year ended December 31, 2023	For the year ended December 31, 2022
Beginning balance	\$ 1,362,484	\$ 3,621,022
Gains and losses recognized in profit or loss	(18,814)	47,350
Gain and loss recognized in other comprehensive income	(7,465)	127,816
Acquired during the period	-	50,000
Sold during the period	(38,243)	(2,289,362)
Transfer out of the Level 3	-	(191,013)
Capital deducted by returning cash	-	(3,329)
Ending balance	\$ 1,297,962	\$ 1,362,484

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, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	\$ 1,297,962	Market comparable companies	Price to earnings ratio multiple	1.46~3.04	The higher the multiple, the higher the fair value
Private equity fund		Net asset value	Not applicable	Not applicable	Not applicable
	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		Net asset value	Not applicable	Not applicable	Not applicable

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, 2023						
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%				
		\$ 55,317	(\$ 55,317)	\$ 9,582	(\$ 9,582)	

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)

13. Supplementary Disclosures(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the periods (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 4.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative financial instruments undertaken during the reporting periods ended: Please refer to Notes 6(2)、(14) and (15).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third party, transactions with the investee companies in Mainland Area: Please refer to table 10.

(4) Major shareholders information

Names, number of shares and ownership of shareholders whose equity interest is greater than 5%: Please refer to table 11.

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.

(2)Measurement of segment information

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

(3) Financial information by industry

The segment information of the reportable segments provided to the chief operating decision-maker for the years ended December 31, 2023 and 2022 is as follows:

	For the year ended December 31, 2023					
	Green mechatronic solution business Group	Intelligence energy business Group	Air and intelligent life business Group	Others	Adjustment and elimination	Total
Operating revenues						
Operating revenues from external customers	\$ 31,667,634	\$ 11,734,111	\$ 12,052,637	\$ 3,939,279	\$ -	\$ 59,393,661
Operating revenues from internal segments	18,506,067	767,519	4,176,248	648,812	(24,098,646)	-
Total operating revenues	\$ 50,173,701	\$ 12,501,630	\$ 16,228,885	\$ 4,588,091	(\$ 24,098,646)	\$ 59,393,661
Segment profits and losses	\$ 5,516,715	\$ 495,037	\$ 243,919	\$ 407,581	\$ -	\$ 6,663,252
	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
Operating revenues						
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	\$ 50,720,879	\$ 10,879,924	\$ 18,560,522	\$ 3,794,972	(\$ 25,641,081)	\$ 58,315,216
Segment profits and losses	\$ 3,939,866	\$ 452,711	\$ 487,539	\$ 193,538	\$ -	\$ 5,073,654

(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 income or loss to the income before tax from continuing operations for the years ended December 31, 2023 and 2022 is provided as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Adjusted operating income of reportable segments	\$ 6,255,671	\$ 4,880,116
Adjusted operating income of other operating segments	407,581	193,538
Interest income	619,223	233,077
Dividend income	1,194,966	1,128,492
Gains (losses) on financial instruments	308,276 (	1,148,511)
Financial cost	(322,399) (	203,963)
Associates' and joint ventures' profit and loss accounted for under the equity method	23,930	190,279
Gains (losses) on disposals of property, plant and equipment	155 (	4,241)
Others	(213,259)	153,038
Income before tax from continuing operations	<u>\$ 8,274,144</u>	<u>\$ 5,421,825</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, 2023	For the year ended December 31, 2022
Sales revenue	\$ 40,498,375	\$ 40,429,250
Construction revenue	9,547,542	8,272,698
Service revenue	8,298,602	8,695,089
Rental revenue	1,049,142	918,179
	<u>\$ 59,393,661</u>	<u>\$ 58,315,216</u>

(6) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows (revenue recognition is based on the operating locations where revenue is earned):

	December 31, 2023		December 31, 2022	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 31,333,290	\$ 23,388,441	\$ 32,162,345	\$ 23,235,961
America	11,428,327	1,622,924	9,050,038	717,624
China	6,651,733	3,093,915	6,894,678	3,132,008
Others	9,980,311	2,469,989	10,208,155	1,788,445
	<u>\$ 59,393,661</u>	<u>\$ 30,575,269</u>	<u>\$ 58,315,216</u>	<u>\$ 28,874,038</u>

(7) Major customer information

No single customer accounts for more than 10% of the consolidated operating revenue for the years ended December 31, 2023 and 2022.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2023

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		Balance at December 31, 2023	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
					the year ended December 31, 2023	2023								Item	Value			
1	U.V.G.	Teco Netherlands TWMM	Other receivables	Yes	\$ 242,970	\$ 237,860	\$ 237,860	-	-	Short-term financing	-	For operating capital	\$ -	-	\$ -	\$ 512,269	\$ 853,781	Note 2
2	Teco Westinghouse	"	"	"	64,540	-	-	-	-	Short-term financing	-	For operating capital	-	-	-	583,181	1,166,363	Note 3
3	Great Teco Motor (PTE) Ltd.	Teco Netherlands	"	"	201,318	197,084	197,084	2.18%	2.18%	Short-term financing	-	For operating capital	-	-	-	293,776	474,365	Note 4
4	Motovario Corp.	Motovario S.p.A.	"	"	194,550	168,878	162,122	4.49%	4.49%	Short-term financing	-	For operating capital	-	-	-	183,569	244,758	Note 5
5	TECO Holdings, USA, Inc.	Teco Electric & Machinery S.A. DE C.V.	"	"	131,743	124,754	124,754	5.26%	5.26%	Short-term financing	-	For operating capital	-	-	-	1,319,741	2,639,482	Note 6
6	Teco Australia Pty. Ltd.	Mos Burger Australia Pty. Ltd.	"	"	18,733	18,707	18,707	5.23%	5.23%	Short-term financing	-	For operating capital	-	-	-	159,933	639,734	Note 7

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

(1)The Company is '0'.

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

Note 2: In accordance with 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, 2023), 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, 2023).

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, 2023), 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, 2023).

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, 2023), 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, 2023).

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, 2023).

Note 6: In accordance with TECO Holdings. USA, Inc.'s policy, limit on total loans shall not exceed 20% of TECO Holdings. USA, Inc.'s net assets based on the latest audited financial statement (December 31, 2023), and limit on loans to a single party shall not exceed 10% of TECO Holdings. USA, Inc.'s net assets based on the latest audited financial statement (December 31, 2023).

Note 7: In accordance with Teco Australia Pty. Ltd.'s policy, limit on total loans shall not exceed 40% of Teco Australia Pty. Ltd.'s net assets based on the latest audited financial statement (December 31, 2023), and limit on loans to a single party shall not exceed 10% of Teco Australia Pty. Ltd.'s net assets based on the latest audited financial statement (December 31, 2023).

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others
For the year ended December 31, 2023

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, 2023	Outstanding endorsement/ guarantee amount at December 31, 2023	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)	\$ 16,045,677	\$ 104,580	\$ 97,740	\$ 76,020	\$ -	0.12	\$ 48,137,032	Y	N	N	N	Note 3
0	"	Motorario	(4)	16,045,677	1,214,850	1,189,300	1,002,410	-	1.48	48,137,032	Y	N	N	N	"
1	Teco Westinghouse	TWMM	(4)	583,181	64,850	61,410	32,951	-	1.05	1,166,363	Y	N	N	N	Note 4
2	Teco Australia Pty. Ltd.	TECO New Zealand Pty. Ltd.	(4)	159,933	14,667	14,543	14,543	-	0.91	319,867	Y	N	N	N	Note 5
3	Century Development	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)	667,071	164,845	155,865	146,188	-	2.34	1,334,142	Y	N	N	N	Note 6
4	Tong-An Assets	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)	519,351	123,634	116,899	109,641	-	2.25	1,038,701	N	N	N	N	Note 7
5	Tong-An Investment Co., Ltd.	CDC DEVELOPMENT INDIA PRIVATE LIMITED	(6)	150,934	123,634	116,899	109,641	-	0.60	200,000	N	N	N	N	Note 8

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

(1) The Company is '0'.

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

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

(1) Having business relationship.

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

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

(4) The endorser/guarantor parent company owns directly and indirectly more than 50% 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, 2023), and the guarantee to a single party shall not exceed 20% of the Company's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 4: In accordance with the Teco Westinghouse's policy, the total guarantee amount shall not exceed 20% of Teco Westinghouse's net assets based on the latest financial statements (December 31, 2023), and the guarantee to a single party shall not exceed 10% of Teco Westinghouse's net assets. If the guarantee amount is denominated in foreign currency, the amount shall be translated at the exchange rate prevailing on the date of approval by the Board of Directors to assess whether the guarantee amount exceeds the limit.

Note 5: In accordance with 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, 2023), 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, 2023), 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, 2023), 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
Significant inter-company transactions during the reporting period
For the year ended December 31, 2023

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
3	TECO (VIETNAM) ELECTRIC & MACHINERY	TECO ELECTRIC & MACHINERY CO., LTD.	(2)	Sales	837,081	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.	1%
2	Tai-An Wuxi	"	"	"	719,290	"	1%
9	Taian (Subic) Electric	"	"	"	204,740	"	-
10	Jiangxi Teco	"	"	"	163,633	"	-

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

(1) Parent company is '0'.

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

Note 2: Relationship with the transaction company:

(1) The parent company to the subsidiary.

(2) The subsidiary to the parent company.

(3) The subsidiary to another subsidiary.

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

Note 4: TECO MIDDLE EAST is no longer a related party of the company since the company sold its owned share in the fourth quarter of 2023.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Information on investees
For the year ended December 31, 2023

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023		Net profit (loss) (loss) recognized of the investee for the year ended December 31, 2023		Investment income by the Company for the year ended December 31, 2023		Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value				
				\$	\$			\$	\$	\$	\$	
TECO ELECTRIC & MACHINERY CO., LTD.	Tung Pei	Taiwan	Manufacturing of bearings		12,293	39,145,044	31.14%	2,339,997	41,656		12,552	None
	Tecom	Taiwan	Manufacturing of key telephone system and nonkey service unit telephone system	431,109	431,109	19,228,898	63.52%	119,381	(20,191)	(22,499)	None	
	Teco International	Taiwan	Investment holdings, investments in securities and construction of commercial buildings	100,013	100,013	77,847,395	100%	1,907,757	88,951	89,419	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%	13,194,086	1,427,457	1,424,133	None	
	Teco Singapore and its subsidiaries	Singapore	Distribution of the Company's motor products in Singapore	112,985	112,985	7,200,000	90%	3,015,190	90,930	90,930	None	
	Tong-An Investment	Taiwan	Investment holdings	2,490,000	2,490,000	577,913,365	99.60%	18,488,584	595,815	564,448	None	
	Teco Electro	Taiwan	Manufacturing of Stepping motors	71,460	71,460	10,253,864	59.56%	206,098	14,475	8,897	None	
	UVG and its subsidiaries	Cayman Islands	Manufacturing and distribution of the Company's motor products and home appliances, and investment holdings	8,505,434	8,505,434	195,416,844	100%	8,493,028	1,255,286	1,210,502	None	
	ITTS	Taiwan	E-business service, mailing and data management	111,286	111,286	11,467,248	41.97%	244,859	74,163	31,126	None	
	Tesen	Taiwan	Manufacturing and sales of home appliance	200,000	200,000	20,000,000	100%	210,485	7,484	4,905	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%	452,479	(98,510)	(29,847)	None	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023		Net profit (loss) of the investee for the year ended December 31, 2023		Investment income recognized by the Company for the year ended December 31, 2023		Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value	December 31, 2023	December 31, 2023	December 31, 2023	
				\$	\$			\$	\$	\$	\$	
TECO ELECTRIC & MACHINERY CO., LTD.	Tong Dai	Taiwan	Distribution of the Company's motor products in Taichung	22,444	22,444	6,615,234	83.53%	398,246	67,770	67,770	None	
	Teco Vietnam	Vietnam	Manufacturing and sales of motors	540,453	540,453	-	100%	293,929	(50,819)	(50,923)	None	
	Yatec	Taiwan	Development and maintenance of various electric appliances	92,389	92,389	7,800,000	66.67%	142,093	12,762	8,501	None	
	Tong-An Assets	Taiwan	Real estate business	2,111,889	2,111,889	395,415,338	100%	5,192,684	(47,317)	(48,118)	None	
	Taian Subic	Philippines	Manufacturing and sales of switches	165,819	165,819	17,131,155	76.70%	231,402	18,191	17,047	None	
	Micropac (BVI) and its subsidiaries	British Virgin Islands	Manufacturing and distribution of optical fiber apparatus and international trading	199,483	454,923	6,883,591	100%	801,963	89,601	72,575	None	
	Century Development	Taiwan	Development and management of industrial park	951,141	951,141	100,592,884	28.67%	1,379,756	339,354	97,997	None	
	An-Tai International	Taiwan	Investment holdings	150,000	150,000	39,641,929	100%	703,059	24,169	19,851	None	
	Taiwan Pelican Express	Taiwan	Logistics and distribution services	255,116	255,116	24,121,700	25.27%	231,338	94,496	21,197	None	
	Taian-Ecobar	Taiwan	Bus bar and manufacturing of its components	70,330	70,330	7,033,000	84.73%	176,451	65,892	55,657	None	
Eagle Holding Co. TECO MOTOR	Eagle Holding Co.	Cayman Islands	Investment holdings	3,691,723	3,691,723	1	100%	5,047,104	67,839	67,839	None	
	TECO MOTOR B.V.	Netherlands	Investment holdings	3,691,723	3,691,723	1	100%	5,047,104	67,839	67,839	None	
	Motovario S.p.A	Italy	Production and sale of gear reducers and motors	3,989,850	3,989,850	18,010,000	100%	5,047,104	67,839	67,839	None	
Tung Pei	Tung Pei (SAMOA) Industrial Co., Ltd.	Samoa	Investment holdings and establishment of overseas	646,343	646,343	23,031,065	100%	1,869,338	9,368	9,368	None	
Tecom	Baycom	Taiwan	Manufacturing and sales of optical telecom products	431,258	431,258	14,700,741	43.76%	201,593	28,279	12,376	None	
Tong-An Investment	Century Development	Taiwan	Development and management of industrial park	420,646	420,646	46,235,042	13.18%	686,443	339,354	48,271	None	
	Taiwan Pelican Express	Taiwan	Logistics and distribution services	54,874	54,874	6,474,468	6.78%	150,903	94,496	6,409	None	
	Century Biotech Development Corp.	Taiwan	Development and construction of real estate	514,270	514,270	51,427,000	20.57%	493,037	(41,531)	(8,543)	None	
	Century Real Estate (International) Pte. Ltd.	Singapore	Investing in other areas	274,856	274,856	9,120,000	30%	199,879	(7,095)	(2,124)	None	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023		Net profit (loss) of the investee for the year ended December 31, 2023		Investment income recognized by the Company for the year ended December 31, 2023		Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value	2023	2023		
				\$	\$			\$	(\$)	(\$)		
Lien Chang	Gen Mao International Corp.	Taiwan	Investment holdings	92,000	92,000	12,553,526	100%	127,051	7,423	7,423	7,423	None
	Gen Mao (Singapore)	Singapore	Investment holdings	582,246	582,246	27,502,355	84.97%	704,971	(50,999)	(50,999)	(34,304)	None
	Gen Mao (Singapore)	Singapore	Investment holdings	91,079	91,079	4,866,045	15.03%	124,689	(50,999)	(50,999)	(6,070)	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%	(5,120)	14,283	14,283	15,285	None
	Jie-Zheng Property Service & Management Co., Ltd.	Taiwan	Building management servicing	13,750	13,750	1,512,500	50%	79,971	38,780	38,780	19,428	None
	United Development	Taiwan	Investment consultancy service for domestic and foreign industrial parks and land	25,536	25,536	6,102,973	51.60%	95,592	11,843	11,843	6,111	None
Teco Electro	Grayback International Property Inc.	Philippines	Housing project in Subic	9,912	9,912	144,600	30.11%	10,430	(86)	(86)	(27)	None
	Century Real Estate (International) Pte. Ltd.	Singapore	Investing in other areas	365,820	365,820	12,160,000	40%	266,506	(7,095)	(7,095)	(2,832)	None
	Century Biotech Development Corp.	Taiwan	Development and construction of real estate	771,460	771,460	77,146,000	30.86%	739,646	(41,531)	(41,531)	(12,816)	None
Teco Singapore	Teco Electro Devices Co., Ltd.	British Virgin Islands	Trading and investment holdings	88,108	88,108	2,510,000	100%	245,604	3,439	3,439	4,816	None
	Century Development	Taiwan	Development and management of industrial park	-	179,222	-	-	-	339,354	339,354	18,851	Note
	Century Development	Taiwan	Leasing of real estate	455,716	184,893	38,280,585	10.91%	490,228	339,354	339,354	18,695	Note
Tong-An Assets	Century Biotech Development Corp.	Taiwan	Development and construction of real estate	514,270	514,270	51,427,000	20.57%	493,037	(41,531)	(41,531)	(8,543)	None
	Century Real Estate (International) Pte. Ltd.	Singapore	Investing in other areas	274,856	274,856	9,120,000	30%	199,879	(7,095)	(7,095)	(2,124)	None

Note: Teco Singapore sold its owned share of Century Development to Tong-An Assets in the fourth quarter of 2023.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2023

Table 9

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, 2023		Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023		Net income of the year ended December 31, 2023		Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognized by the Company for the year ended December 31, 2023		Book value of investments in Mainland China as of December 31, 2023		Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
				\$	\$	\$	\$	\$	\$	\$	\$		\$	\$				
Teco (Dong Guang)	Manufacturing and sales of air conditioners mechanical equipment	\$ 268,799	Note 2	\$ 188,139	\$ -	\$ -	\$ -	\$ 188,139	\$ 162	100%	100%	175	\$ 133,617	\$ -	-	Note 13		
Wuxi Teco	Manufacturing and sales of motors	1,697,276	Note 1	768,259	-	-	-	768,259	674,016	84.12%	84.12%	568,087	2,130,292	716,129	-	Note 13		
Taian (Wuxi)	Manufacturing and sales of optical fiber	495,123	Note 8	205,551	-	-	-	205,551	74,273	100%	100%	74,273	878,148	448,243	-	Note 13		
Nanchang Teco	Manufacturing and sales of home appliances	456,293	Note 3	456,293	-	-	-	456,293	(419)	100%	100%	(419)	(18,790)	-	-	Note 13		
Jiangxi Teco	Manufacturing and sales of motors	1,481,569	Note 1	1,383,653	-	-	-	1,383,653	158,484	98.07%	98.07%	155,425	1,609,467	202,484	-	Note 13		
QingDao Teco	Manufacturing and sales of fine blanking dies, precision cavity modes, standard parts of molds and new electromechanical components	947,331	Note 1	1,648,510	-	-	-	1,648,510	(1,982)	87.60%	87.60%	(1,736)	242,473	-	-	Note 13		
Xiamen An-Tai	Development, manufacturing and sales of LCD monitors.	678,681	Note 3	467,577	-	-	-	467,577	5,128	100%	100%	5,128	248,929	-	-	Note 13		
Teco Han Zhou	Development and consulting of device products	9,837	Note 1	9,837	-	-	-	9,837	7,101	100%	100%	6,982	29,726	11,937	-	Note 18		
Teco Century	Manufacturing and sales of compressor	680,938	Note 3	340,469	-	-	-	340,469	5,358	24%	24%	1,282	30,012	-	-	Note 18		
Fujian Teco	Manufacturing and sales of electronic components	391,843	Note 1	391,843	-	-	-	391,843	(1,914)	100%	100%	(1,914)	44,299	-	-	Note 18		
Shanghai Xisngseng	Distribution of air conditioner	24,004	Note 2	-	-	-	-	-	4,826	-	-	866	-	-	-	Note 13、19		
Jiangxi TECO (AC)	Manufacturing and sales of air conditioning mechanical equipment	79,813	Note 3	79,813	-	-	-	79,813	(7,210)	100%	100%	(7,210)	131,835	-	-	Note 13		
Qingdao Teco Innovation	Science Park development and business operations and consulting services	59,444	Note 10	59,444	-	-	-	59,444	(2,220)	100%	100%	(2,220)	36,158	-	-	Note 13		
Shanghai Teco	Sales of home appliances	23,829	Note 1	23,829	-	-	-	23,829	162,565	100%	100%	171,745	270,540	271,028	-	Note 13		
Jiangxi TECO	Manufacturing and sales of motors, winding and related elements	119,840	Note 9	-	-	-	-	-	12,324	100%	100%	12,324	123,076	-	-	Note 13		
Westinghouse Motor Coil Co.,Ltd.	Production and sale of industrial motors and applications	656,500	Note 11	-	-	-	-	-	17,681	100%	100%	17,681	853,952	-	-	Note 13		
Wuxi TECO Precision Industry Co. Ltd.	Storage services	26,422	Note 4	26,422	-	-	-	26,422	-	-	-	-	-	-	-	Note 16		
Beijing Pelican Express	Merchandise wholesale	342,163	Note 5	24,746	-	-	-	24,746	-	1.63%	1.63%	-	-	-	-	Note 14、15		
Fubon Gehua (Beijing) Trading Co., Ltd.	Communication network information, technology development, sales and technology services business	6,950	Note 12	6,950	-	-	-	6,950	(941)	100%	100%	(941)	(1,114)	-	-	Note 13、17		

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, 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of the year ended December 31, 2023	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognized by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023		Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan					December 31, 2023	December 31, 2023		
Information Technology (Wuxi)	ERP building, system maintenance and purchases of information appliance	\$ 10,167	Note 6	\$ 10,167	\$ -	\$ -	\$ 10,167	\$ (437)	100%	\$ (437)	\$ 34,032	\$ -	-	Note 13
Wuxi TECO Electro Devices Co. Ltd.	R&D, manufacturing and sales of products and elements related to production capacity precision motors and provide products sales skills	115,125	Note 7	86,101	-	-	86,101	3,439	100%	4,816	144,355	43,266		Note 13

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

Note 8: 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 9: 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 10: 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 11: 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 12: Direct investment in Mainland China: Tecom Co., Ltd. directly remits investment into the Mainland China.

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

Note 14: Financial assets at fair value through other comprehensive income.

Note 15: As of December 31, 2023, accumulated impairment of \$24,746 was accrued.

Note 16: The company was dissolved and liquidated in 2022.

Note 17: There were upstream transactions with the subsidiaries amounting to (\$18) during the period.

Note 18: The amount recognized was based on the financial statements that were not audited by the other CPA firm.

Note 19: The company sold its owned share to YUBAN GLOBAL LIMITED in the fourth quarter of 2023.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	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	\$ 51,132,808
Taiwan Pelican Express Co., Ltd.	51,168	51,168	1,335,053
Tecom Co., Ltd.	6,950	681,144	278,801
Information Technology Total Services Co., Ltd.	10,167	10,167	350,060
Teco Electro Devices Co., Ltd.	86,101	115,225	208,123

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 10

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, 2023

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, 2023	Others
	Amount	%	Amount	%	Balance at December 31, 2023	%	Balance at December 31, 2023	Purpose	Maximum balance during the year ended December 31, 2023	Balance at December 31, 2023	Interest rate	
Investee in Mainland China												
Wuxi Teco	\$ 15,666	-	\$ -	-	\$ 4,518	-	\$ -	-	\$ -	-	\$ -	-
Taian (Wuxi)	11,916	-	-	-	3,237	-	-	-	-	-	-	-
Jiangxi Teco	16,505	-	-	-	4,877	-	-	-	-	-	-	-
Wuxi Teco Precision	3,324	-	-	-	-	-	-	-	-	-	-	-
Wuxi Teco	(1,543,537)	(7%)	-	-	(838,523)	16%	-	-	-	-	-	-
Taian (Wuxi)	(719,290)	(3%)	-	-	(311,455)	6%	-	-	-	-	-	-
Jiangxi Teco	(163,633)	(1%)	-	-	(63,532)	1%	-	-	-	-	-	-
Xiamen An-Tai	(1,212)	-	-	-	(825)	-	-	-	-	-	-	-
Jiangxi TECO (AC)	(38,666)	-	-	-	(5,791)	-	-	-	-	-	-	-
Wuxi Teco Precision	(6,681)	-	-	-	-	-	-	-	-	-	-	-
Genmao (Suzhao)	(66,711)	-	-	-	(7,442)	-	-	-	-	-	-	-



TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES

Major shareholders information

December 31, 2023

Table 11

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
PJ Asset Management Co., Ltd	373,237,991	17.45%
Walsin Lihwa Co., Ltd	231,104,730	10.80%
Jia-Yuan Investment Co., Ltd	113,202,000	5.29%

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	2023/12/31	2022/12/31	Difference		Remark
			Amount	%	
Current Assets	52,480,611	50,317,421	2,163,190	4	
Fixed Assets	20,290,504	19,131,777	1,158,727	6	
Intangible Assets	4,832,979	4,668,399	164,580	4	
Other Assets	49,709,696	52,485,513	(2,775,817)	(5)	Note
Total Assets	127,313,790	126,603,110	710,680	1	
Current Liabilities	22,634,485	22,734,516	(100,031)	0	
Non Current Liabilities	18,236,525	17,550,095	686,430	4	
Total Liabilities	40,871,010	40,284,611	586,399	1	
Equity attributable to owners of parent	80,148,590	80,024,934	123,656	0	
Capital stock	21,387,966	21,387,966	0	0	
Capital surplus	9,629,730	9,575,822	53,908	1	
Retained Earnings	34,277,944	31,220,437	3,057,507	10	
Other equity	14,852,950	17,840,709	(2,987,759)	(17)	Note
Non Controlling Interest	6,294,190	6,293,565	625	0	
Total Stockholders' Equity	86,442,780	86,318,499	124,281	0	
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 2023, which increased both assets and equity.					

7.2 Analysis of Operating Results

7.2.1 Operating Results

Unit: NT\$thousand

Item \ Year	2023	2022	Difference		Remark
			Amount	%	
Sales Revenue	59,393,661	58,315,216	1,078,445	2	
Operating Costs	(44,451,003)	(45,129,917)	678,914	(2)	
Gross Profit	14,942,658	13,185,299	1,757,359	13	
Realized(Unrealized) Profit from Sales	(1,068)	(997)	(71)	7	
Gross Profit - Net	14,941,590	13,184,302	1,757,288	13	
Operating Expenses	(8,278,338)	(8,110,648)	(167,690)	2	
Operating Profit	6,663,252	5,073,654	1,589,598	31	Note 1
Non-operating Income and Gains	1,610,892	348,171	1,262,721	363	Note 2
Profit before income tax	8,274,144	5,421,825	2,852,319	53	Note 3
Tax Expense	(1,942,112)	(1,429,815)	(512,297)	36	Note 4
Net Income	6,332,032	3,992,010	2,340,022	59	Note 5
Other comprehensive income	(2,506,178)	(10,137,765)	7,631,587	(75)	Note 6
Total comprehensive income	3,825,854	(6,145,755)	9,971,609	(162)	Note 7
Analysis and explanation for changes:					
1. The increase is mainly due to the increase in revenue and gross profit for the current year, coupled with expense control measures.					
2. The increase is primarily attributed to the recognition of unrealized gains on financial assets measured at fair value through profit or loss for the current year.					
3. The increase is mainly due to the higher operating profit for the current year compared to the previous period, as well as the recognition of unrealized gains on financial assets measured at fair value through profit or loss.					
4. The increase is primarily due to the higher pre-tax profit for the current year compared to the previous period.					
5. The increase is mainly attributed to the higher operating profit for the current year compared to the previous period, as well as the recognition of unrealized gains on financial assets measured at fair value through profit or loss.					
6. The increase is mainly due to the reduction in unrealized losses recognized through other comprehensive income on financial assets measured at fair value through profit or loss for the current year compared to the previous year, leading to an increase in other comprehensive income.					
7. The increase is primarily attributed to the higher net profit and other comprehensive income for the current year compared to the same period 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 (2023)

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
21,375,400	6,232,907	3,967,771	23,640,536	-	-
<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: Disposal of financial assets measured at fair value through other comprehensive income and receipt of dividends are the main reasons 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
23,640,536	7,575,670	3,705,352	27,510,854	-	-
<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 2023.</p> <p>b. Investing activities: It is expected that the dividend income earned in 2024 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	
				2023	2024~2025
2023 Capital Expenditure – new equipment, equipment renewal and capacity expansion	Working Capital	2023/12/31	1,557,000	1,557,000	0-
2024 Capital Expenditure – new equipment, equipment renewal and capacity expansion	Working Capital	2024/12/31	1,593,000	0	1,593,000

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.

Furthermore, in the second half of 2023, the high-efficiency low-voltage motor factories in Mexico and India that were successively put into operation will help supply the market locally, reducing supply chain risks and enhancing competitiveness, injecting new momentum into revenue growth.

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 2023 was NT\$ 23,930 thousand, with an decrease of NT\$166,349 thousand compared with the investment gain recognized in 2023, (NT\$190,279 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

	2023	Unit: NT\$Thousand
Net Interest Income or Expense (1)		298,931
Sales Revenues(2)		59,393,661
Operating Profit(3)		6,663,252
(1)/(2)		0.50%
(1)/(3)		4.49%

The Company's net interest income for the year 2023 was NT \$ 298,931 thousand, accounting for 0.5% of annual sales revenue and 4.49% of operating profit.

In 2023, global inflation moderated, with the annual inflation rate for the US CPI falling from a peak of 9.06% in June 2021 to 3.35% in December 2023. However, the recovery momentum post-pandemic was weaker than expected, coupled with persistent inflationary pressures. As a result, the US Federal Reserve raised interest rates by a total of 4 times (100 basis points) throughout the year, while the Taiwan Central Bank raised interest rates by a total of 0.5 basis points (12.5 basis points).

So far this year, the pace of inflation moderation has slowed down, with the CPI annual inflation rate in March at 3.48%, even higher than February's 3.15%. Market expectations for the number of interest rate cuts this year have decreased from an initial estimate of 3 cuts to 2 cuts, indicating that the US interest rates are expected to remain at their peak for a longer period. The Taiwan Central Bank raised interest rates by 0.5 basis points in March, and it is predicted that Taiwan's interest rates will remain at a high level for the year.

To mitigate the impact of interest rate fluctuations, the company will adjust its positions and durations of foreign currency deposits and borrowings in a timely manner to reduce interest rate risks.

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

	2023	Unit: NT\$thousand
Currency Exchange Gain or Loss(1)		58,035
Sales Revenues(2)		59,393,661
Operating Profit(3)		6,663,252
(1)/(2)		0.10%
(1)/(3)		0.87%

The company's net currency exchange gain was NT\$58,035 thousand in year 2023, which was mainly due to the appreciation of US dollar against New Taiwan dollar, Japanese Yuan and RMB.

The prediction for the first half of this year suggests that the US dollar will experience range-bound fluctuations against various currencies, maintaining its position at high levels. It is expected that interest rates in Europe and the United States will gradually decline in the second half of the year, narrowing the interest rate differential, which will favor a more noticeable upward trend in other countries' currencies against the US dollar. In addition to closely monitoring exchange rate fluctuations, our company will implement the following response measures. In addition to natural hedging associated with positions of assets and liabilities, the company will undertake substantial hedging via forward forex transactions.

- a. A. Utilize natural hedging through asset and liability positions, combined with forward foreign exchange transactions for effective hedging.
- b. Maintain close communication between the finance department and the foreign exchange department of counterpart financial institutions, continuously gather relevant information on exchange rate changes, fully grasp international exchange rate trends and information changes, and proactively respond to the negative impacts of exchange rate fluctuations. Use the understanding of exchange rate movements as a reference for forward exchange transactions and settlements.
- c. The finance department regularly prepares internal assessment reports on hedging positions for foreign currency net assets (liabilities) to be submitted to the company's management for judgment on the appropriate hedging measures to be taken.

C. The impact on company's performance resulted from inflation and counter measures

The Taiwan Directorate-General of Budget, Accounting and Statistics announced that the annual CPI inflation rate for the year 2023 was 2.5%, the second-highest in 15 years. As for the main raw materials of our company, including steel, copper, and aluminum, compared to the past, the purchasing cost of copper remains relatively high, while the prices of aluminum and iron have declined compared to last year.

Our company typically negotiates procurement contracts for raw materials, allowing us to negotiate pricing with suppliers based on the pattern of price increases. Therefore, fluctuations in raw material prices do not have a significant adverse impact on the company's profits and losses. However, we will continue to cautiously assess the trend of basic metal prices in the future and develop the most suitable procurement strategies in accordance 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 2023, outstanding loans extended by the company amounted to NT\$0 thousands.
- C. In 2023, the outstanding amount of the endorsement and guarantee extended by the company reached NT\$1,287,040 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 2023, 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 numbers 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 2024 is NT\$1,086,049 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. We have initiated several important research and development projects in various areas, including: Permanent Magnet Synchronous Motors (PMSM), Integration of Electric Vehicle Power Systems, Power Regulation Systems, Medium Voltage Variable Frequency Drives, Precision Servo Motors, IE5 Synchronous Reluctance Motors and Drives, Advanced Control Algorithms, Solutions for Residential and Commercial Air Conditioning Systems, and Internet of Things (IoT) 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 2024 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

- Hydrogen Specialized Energy Reciprocating Compressor
- 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 E710 Next-Generation Miniaturized Frequency Converter
- Commercial drone power system development

b. Electrical Vehicle products

- 350kW SiC High-Power Electric Bus Direct Drive Solution
- 130kW Electric Commercial Vehicle Multi-in-One Powertrain Solution

c. Automation products

- Next-Generation High-Performance Servo Drive Development
- Ultra-Thin Simplified AC Servo Product Development
- EtherCat Simplified AC Servo Product Development
- Characteristic Selection Function Technology Development
- Upper-Level Command Adjustment Function Technology Development

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

a. Household products

- Development of Air Conditioners with CSPF Energy Efficiency Exceeding National Standards by 70% for Ultra-High Efficiency Models
- Development of Air Conditioners with Whole-Machine Antibacterial, Antifungal, and Self-Cleaning Functions for Both Indoor and Outdoor Units
- Development of Air Conditioners with Comfortable Ergonomic 3D Airflow Functionality
- Development of "i-Air" Smart Health Air Solution for Air Conditioners
- Development of Household Inverter Refrigerator with Level 1 Energy Efficiency and Dual-Door Freezing
- Development of AC Units with Hybrid AC/DC Power Supply

b. Commercial products

- Development of High-Efficiency IPLV Magnetic Levitation Centrifugal Chiller Units with Multi-Pressure Single-System
- Development of High-Efficiency IPLV Direct Current Variable Frequency Permanent Magnet Screw Chiller Units
- Development of Variable Frequency Condensing Unit for Refrigeration and Cold Storage Using Environmentally Friendly R407H Refrigerant
- Development of Brine Water Chiller Units for Specialized Refrigeration and Cold Chain for Food Preservation
- Development of Commercial Fixed/Variable Frequency Air-Cooled Box-Type Air Conditioners for Power Plants
- Development of Commercial Water-Cooled Box-Type Constant Temperature and Humidity Air Conditioners for Archive Preservation
- Development of Power Crystal Dedicated Two-Phase Heat Dissipation Units for Industrial Motor

Applications

c. Smart networking system

- Development of HVAC Air Conditioning Group Control System for Energy Saving Solutions
- Energy-saving Group Control for Four Major Peripheral Equipment, including Chilled Water Pumps, Cooling Water Pumps, Cooling Towers, and Air Handling Units
- Development of HVAC Air Conditioning Cloud Monitoring Expert Diagnosis System
- Energy-saving Retrofit Solutions and Services for Intelligent Chiller Control Systems
- Development of Smart Internet-of-Things (IoT) Dedicated Units for High-Performance Water-Cooled/Air-Cooled Systems in Data Centers
- Development of Next Generation TaiSEIA Connectivity Control and Mobile App for Residential Air Conditioning Series

C. Industrial Internet of Things:

(1) Edge Heterogeneous Network Integration and Feature Analysis System Application

- Data Analysis: Equipment Utilization Rate Reports, Fault Abnormality Indicators, VPI Equipment Diagnosis, Production Work Order, and Electricity Carbon Equivalent Calculation
- Planning and Testing of Integrated Data Extractors: Introduction of AI Vision for Remote Equipment Shutdown Applications in Vehicle and Material Handling and Handheld Devices

(2) Overseas Factory Deployment of Industrial Internet of Things:

Parallel Deployment of Electrical Monitoring and Process Monitoring for Wuxi Precision, Wuxi Jin Yi Plant, Wuxi Jin Er Plant, and Phase II of Jiangxi Dongyuan

(3) Layout and Planning of Industrial Internet of Things for New Overseas Factory Construction:

Establishment of New Plants in India and Mexico

(4) Intelligent Management of Entire Plant Compressed Air Systems and Electricity/Gas Usage Systems

D. New energy storage products and technologies

(1) Development of 1.725MW Power Conditioning System (PCS) Product

- Development of Power Conversion Quadrant Power Conversion Technology
- Development of Harmonic Suppression Technology
- Development of Battery Charging and Discharging Technology
- Development of Grid Connection Technology
- Development of Virtual Synchronous Generator Technology

(2) Development of High-Speed Aerodynamic Magnetic Bearing Permanent Magnet Synchronous Air Compressor and Drive Controller for Onboard Fuel Cell Vehicles

(3) Development of Energy Management Aggregation System Platform

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	<p>Mechatronics and Automation Products</p> <p>Development of ultra-high-efficiency motors (explosion-proof, synchronous reluctance type with steel plate shell)</p> <p>Development of low-speed high-torque permanent magnet motor direct drive system</p> <p>Development of reciprocating compressors for hydrogen energy applications</p> <p>Development of power systems for unmanned aerial vehicles</p> <p>Development of power systems for commercial vehicles and electric buses</p> <p>Mechatronics and Automation Technology</p> <p>Research and development of drive technology (sensorless, servo parameter auto-adaptation, regenerative braking, etc.)</p> <p>Air Conditioning and Smart Home Appliance Products and Technology</p> <p>HVAC air conditioning development projects (energy-saving solutions with group control systems and cloud-based diagnostic systems)</p> <p>Development of high-efficiency IPLV magnetic levitation centrifugal chiller units with multiple pressure single systems</p> <p>Development of specialized commercial variable/fixed frequency air conditioning/refrigeration units (environmentally friendly refrigerant R407H, for power plants, archival preservation, etc.)</p> <p>Development of new technologies (ultra-efficient variable frequency, whole-unit antibacterial and mold prevention with self-cleaning, and DC-DC converters, etc.)</p> <p>Energy Creation and Storage Products and Technology</p> <p>Development of 1.725MW power conditioning system (PCS) products and technology (grid connection, battery charging and discharging, and power quadrant control, etc.)</p> <p>Development of power converters (single/dual direction DC, AC-DC type)</p>
Mid-term	Accumulation of core technological strength & Development of new technological strength	<p>Mechatronics and Automation Technology</p> <p>Development of next-generation insulation systems</p> <p>Development of MW-class high-voltage high-power density steel shell motor technology</p> <p>Development of high-speed permanent magnet motor and drive</p> <p>SiC high-power power system solutions</p> <p>Development of ultra-low-speed direct drive permanent magnet motor</p> <p>Research and development of medium-high voltage inverters</p> <p>Development of ultra-high-speed pneumatic bearing permanent magnet synchronous motor drives</p> <p>Air Conditioning and Smart Home Appliance Technology</p> <p>Development of DC/AC-DC hybrid to variable frequency air conditioning technology</p> <p>Development of specialized fixed/variable frequency models (for food cold chain brine chillers, smart networked data centers, and energy-saving transformations for smart chilled water systems, etc.)</p>

Term of R&D	Focus	Major R&D items
		<p>Development of next-generation TaiSEIA digital home connectivity and app</p> <p>Energy Creation and Storage Technology</p> <p>Development of single/dual direction DC/AC-DC power converters</p> <p>Development of Energy Management Systems (EMS)</p> <p>Development of PCS technology (active islanding detection, harmonic suppression, and primary frequency regulation, etc.)</p>
Long-term	Deployment in new business scope	<p>Mechatronics and Automation Technology</p> <p>Development of traction motors for rail vehicles</p> <p>Research and development of machine-to-machine (M2M) integration systems</p> <p>Air Conditioning and Smart Home Appliance Technology</p> <p>Development of next-generation green energy variable frequency air conditioning technology</p> <p>Development of specialized two-phase flow cooling units for industrial cooling</p> <p>Energy Creation and Storage Technology</p> <p>Energy storage system aggregation platform solution</p> <p>Development of virtual synchronous generator technology</p> <p>Development of grid technology (micro smart grid systems and weak grid systems, etc.)</p> <p>Development of air compressor systems for on-board fuel cell vehicles</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

Our company convened a board meeting on April 10, 2024, resolving to merge with TECO Electro Devices Co., Ltd. through a cash transaction. The aim of this merger is to facilitate the integration of production, sales, and research resources through organizational restructuring, achieving product and cost optimization, strengthening the integration of electromechanical systems business, expanding overall scale economies and benefits, providing both parties' customers with higher quality and more diverse products and services, and reducing overall operating costs. This transaction is subject to approval at TECO Electro Devices Co., Ltd.'s shareholder meeting on June 17 and subsequent approval by regulatory authorities. Since this transaction constitutes an organizational restructuring of our company, there should be no potential risks involved.

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

In September and November 2023, respectively, we completed the construction of our Mexico and India plants. It is expected that the motor production capacity will reach 150,000 units and 20,000 units, respectively, in 2024. The main benefit is the collaboration with local distributors and OEM customers to expand distribution channels in Central and South America and India. Additionally, the Indian government plans to replace 800,000 diesel vehicles with electric vehicles by 2030, thereby capturing opportunities with local automotive and electric vehicle manufacturers. As the establishment of new overseas plants allows for supplying local demand nearby, there are no significant potential risks involved.

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%

Due to its investment strategy requirements, our corporate director, Creative Sensor Co., Ltd., has transferred 22,502 thousand shares of our company's stock on the centralized market from the fiscal year 2024 onwards until the printing date of the annual report. This represents 1.05% of the total issued shares of our company. As Creative Sensor Co., Ltd. only holds one directorship in our company and is not part of the main management team, there are no significant impacts or risks to our 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. The first-instance verdict was announced on March 20, 2024). There is no significant adverse impact on TECO	\$136,678
2	Request payment for the new construction of Nangang Exhibition Hall	Construction and Planning Agency, Ministry of the Interior	The first-instance judged that the counterparty should pay TECO (Leader Construction, TECO, TMA Architects and Associate) a total of NT\$407,657 thousand and interest from 2008.3.7 to the date of settlement. The counterparty filed an appeal on 2020.5.22. The 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. Received notification from the Supreme Court on January 9, 2024, regarding the referral to the Taiwan High Court. At present, there is no material adverse effect on TECO.	\$197,262
3	Kingdom Construction Co., Ltd. requests Tong An Asset Development & Management Co., Ltd. (a subsidiary of Tong An) to return unjust enrichment.	Kingdom Construction Co., Ltd.	As of December 29, 2023, the case was referred to mediation by the court. At present, there is no material adverse effect on TECO.	\$538,543
4	Mediation for the performance dispute in the EID case	Central Engraving and Printing Plant	Received the Engineering Association's mediation proposal on December 1, 2023. Both parties agreed to the mediation proposal. Subsequently, the matter will be submitted to the Commission for confirmation, and a mediation agreement will be drawn up after the meeting.	\$266,585

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

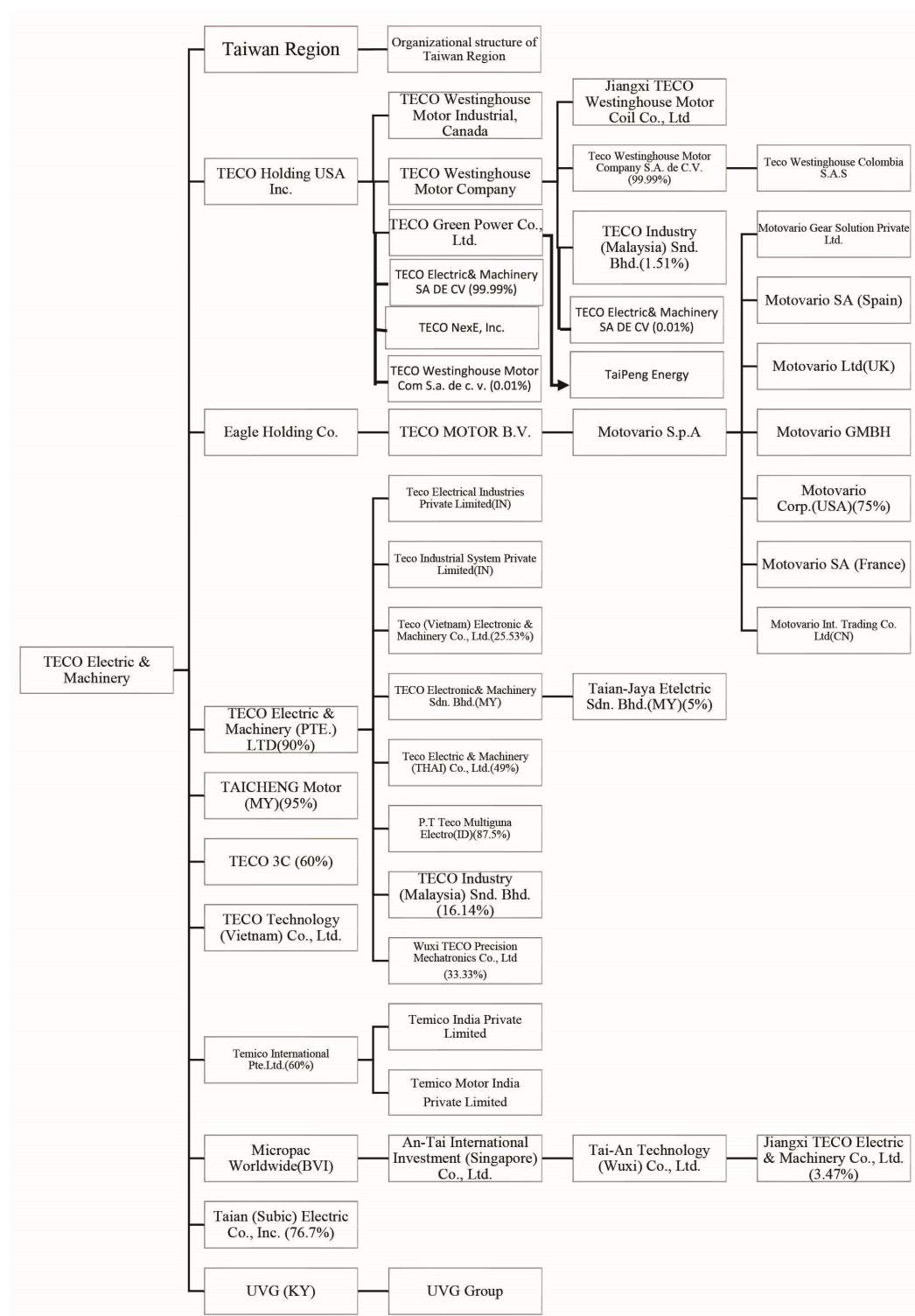
None

VIII. Special Disclosure

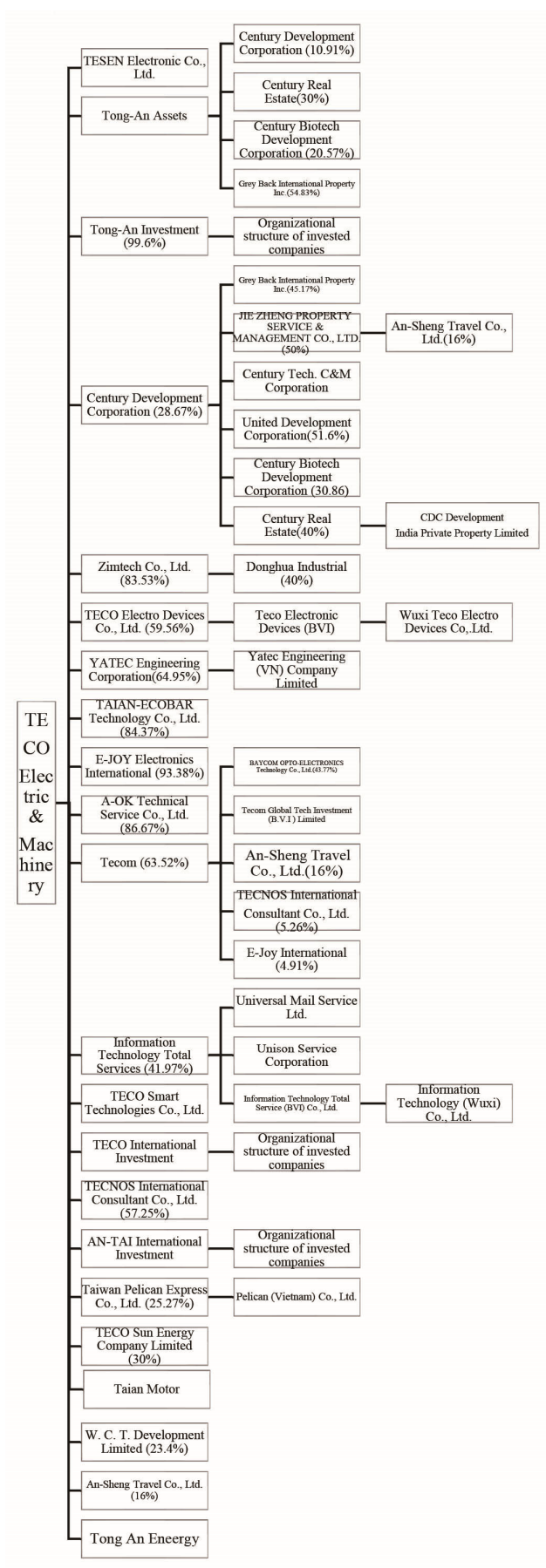
8.1 Summary of Affiliated Companies

8.1.1 Chart of Affiliated Companies

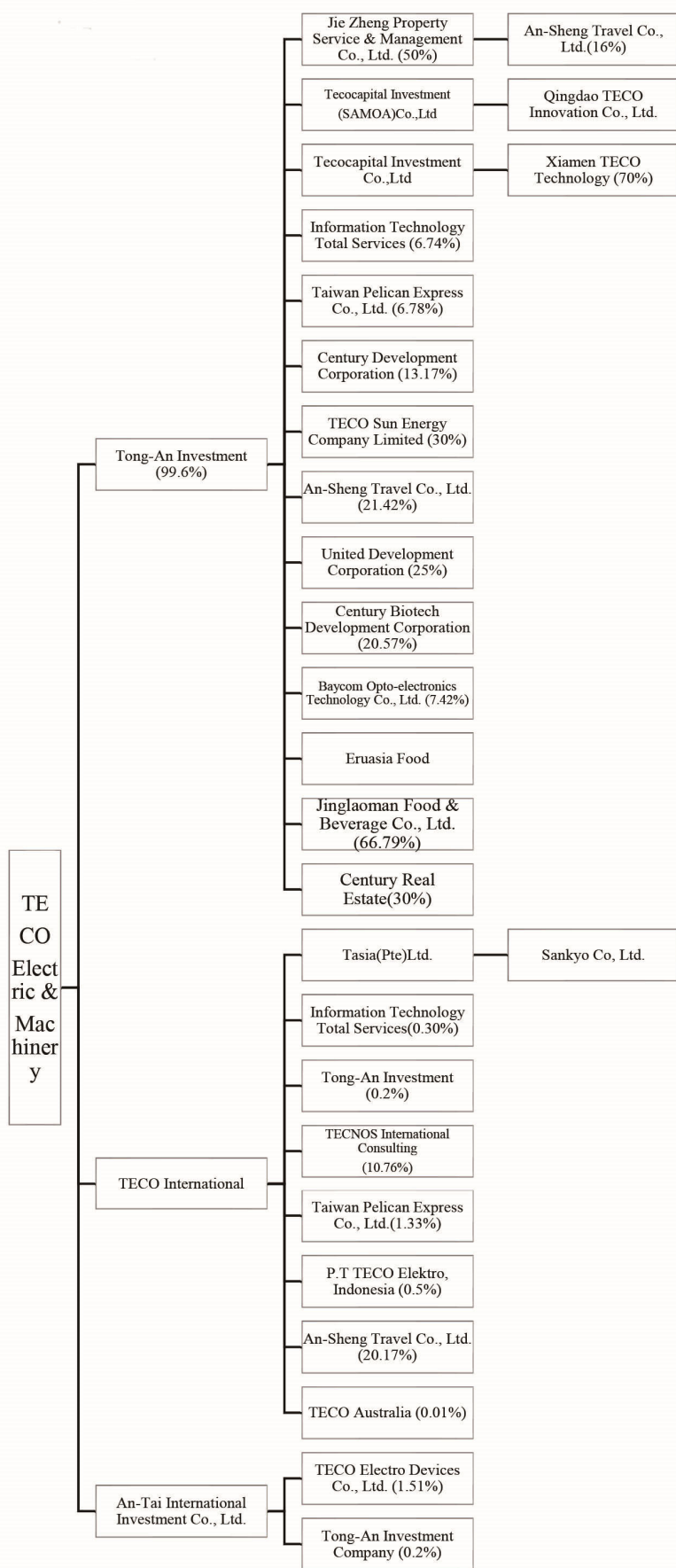
TECO Group
(100% shareholding if not specifically marked specified)

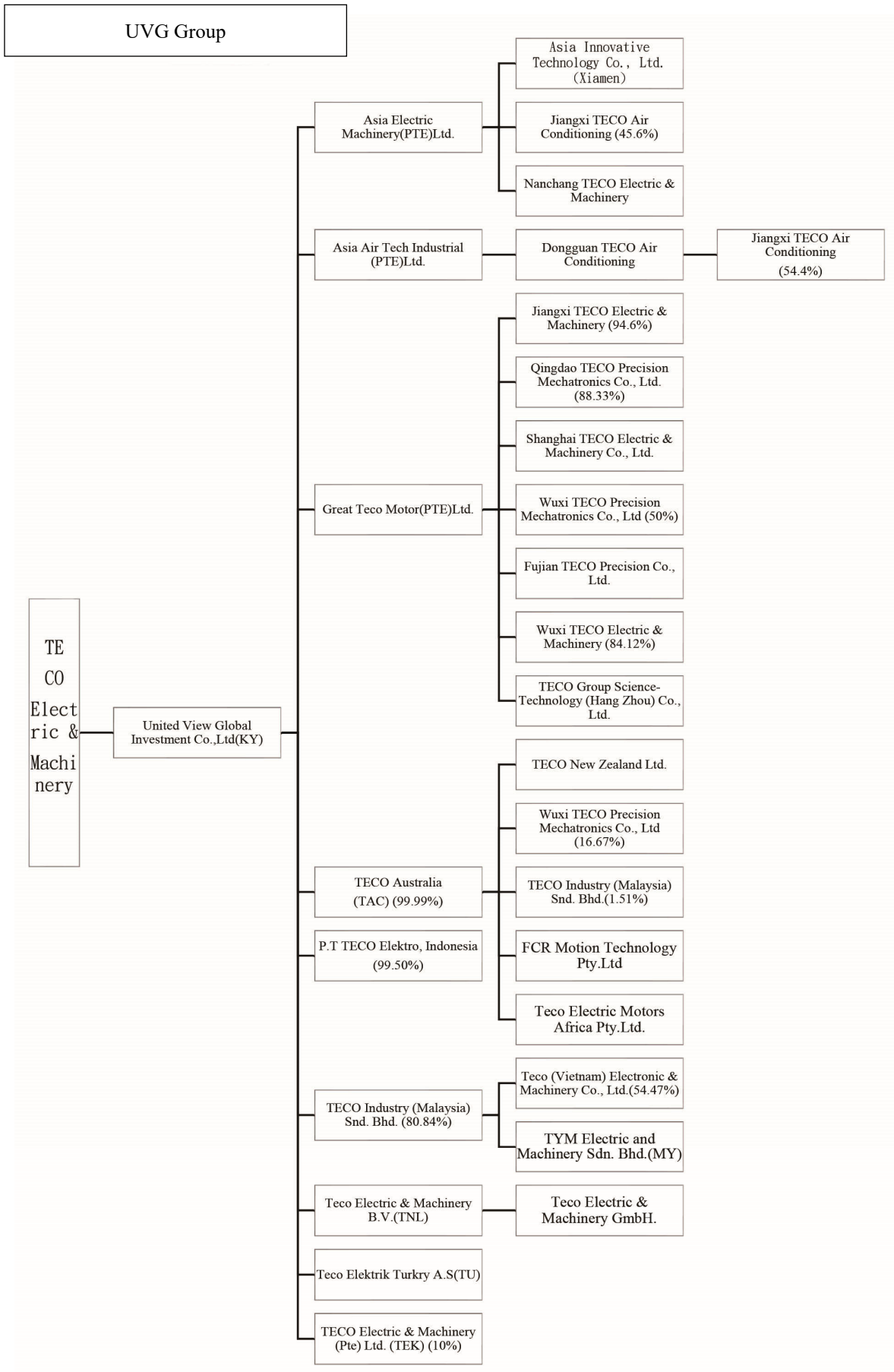


Taiwan Region



Invested companies





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	130,119	Business Consulting and Human Resource Services
United View Global Investment Co., Ltd. (UVG)	1999.08	7,228,370	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	205,447	Manufacture and Sales of Tools and Equipment
An-Tai International Investment Co., Ltd.	1990.09	396,419	Investment Activity
Micropac (BVI) Worldwide Investment Co., Ltd.	1993.03	211,361	International Trading
Taian-Etacom Technology Co., Ltd.	1999.12	83,000	Manufacture of Bus Way Components
E-Joy International Co., Ltd.	2004.06.25	115,798	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	24,734	Investment Activity
Asia Air Tech Industrial (Pte) Ltd.	1999.06	260,993	Investment Activity
TECO (Dong Guang) Air Conditioning Equipment Co., Ltd.	1999.11.09	304,343	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	58,170	Sales of Home Appliances
Great Teco Motor Ltd.	2000.01.27	3,409,060	Investment Activity
Wuxi TECO Electric & Machinery Co., Ltd.	2002	1,449,991	Manufacture and Sales of Motors
TECO Industrial (Malaysia) Sdn. Bhd.	1989.06	591,894	Manufacture and Sales of Motors in Malaysia
P.T TECO Elektro, Indonesia	1997.08.14	781,442	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	53,640	Investment and Trading Activities
TECO Westinghouse Motor Company	1988.01	634,550	Sales of Motors in USA
TECO Westinghouse Motor Industrial, Canada	1995.12	25,613	Sales of Motors

Company	Date of Incorporation	Paid-in Capital	Major Business
TECO Electro Devices Co., Ltd.	1998.03	104,704	General Trading and Investment
Wuxi Teco Electro Devices Co., Ltd.	2001.12	119,135	Manufacture and Sales of Stepping Motors
An-Tai International Investment (Singapore) Co., Ltd.	1993.03	265,880	Investment
Tai-An Technology (Wuxi) Co., Ltd.	2000.07	513,204	Manufacture and Sales of Optical Fiber
Asia Electric & Machinery Pte Ltd.	2000.06.05	1,679,103	Holding Company
Jack Property Service & Management Company	2000.04.13	30,250	Mansions Management Services
Nanchang TECO Electric & Machinery Co., Ltd.	2003.11.10	493,715	Manufacture and Sales of Air Conditioning
Sankyo Co, Ltd.	1992.02.14	6,516	Sales of Home Appliances
TECO Electronic & Machinery B.V.	2005.04.18	22,427	Sales of Motors and LCD TV in Europe
STE Marketing Sdn. Bhd.	1987.12	59,145	Investment and Trading
Jiangxi TECO Electric & Machinery Co., Ltd.	2005.06.01	1,449,523	Manufacture and Sales of Motors
Qingdao TECO Precision Mechatronics Co., Ltd	2006.12	810,287	Manufacture and Sales of Compressors
TECO Westinghouse Motor Company S.A. de C.V	2005.12	65,361	Manufacture and Sales of Motors
TYM Electric & Machinery Sdn. Bhd.	2006.06	3,353	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	807,084	R&D and Manufacture of LCD TV
TECO Group Science-Technology (Hang Zhou) Co., Ltd.	2007.06	9,831	R&D of Electronic Devices and System Automation
Jiangxi TECO Air Conditioning Equipment Co., Ltd.	2010.02.05	160,389	Sales of Air Conditioners
Fujian TECO Precision Co., Ltd.	2008.05	363,922	Sales and Production of Motors and Generators
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	15,600	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	47,316	Investment Activities
Information Technology (Wuxi) Co., Ltd.	2004.08	10,744	Software, Data Processing and Information Provision
GreyBack International Property Inc.	2007.02.28	30,708	Real Estate Business
Taian-Jaya Electric Sdn. Bhd.	1988.06.07	6,706	Manufacture and Sales of Motors
TECO CAPITAL INC.	2008.04.15	20,204	Investment Activities
TECO (PHILIPPINES) 3C & APPLIANCES, INC.	2008.08.22	30,041	Sales of Home Appliance and Air Conditioners
Qingdao TECO Innovation Co., Ltd.	2010.08.11	56,619	Merchant and Management Service for Science Park's Development and Operation
TECO Capital Investment (SAMOA) Co., Ltd.	2011.01.18	61,410	Holding Company
Technical Information International Co., Ltd.	2008.07.28	43,270	Development & Sales of Software

Company	Date of Incorporation	Paid-in Capital	Major Business
Shanghai TECO Electric & Machinery Co., Ltd.	2012.08.04	58,979	Agency of Machinery and Electric Products
TECO Electric and Machinery GmbH.	2012.09.01	850	Production & Sales of Machinery
Tecom Co., Ltd.	1980.09.25	302,719	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	7,163	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	6,440	Franchise of Home Appliance and FA/GE Product
Jiangxi TECO Westinghouse Motor Coil Co., Ltd	2014.07.24	106,756	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	611,980	Manufacture and Sales of motor and gear reducer
Motovario S.A(Spain)	2001.2.14	22,461	Manufacture and Sales of motor and gear reducer
Motovario Ltd	1999.3.26	14,251	Manufacture and Sales of motor and gear reducer
Motovario GMBH	1997.2.28	10,942	Manufacture and Sales of motor and gear reducer
Motovario Corp.	1997.10.06	9,519	Manufacture and Sales of motor and gear reducer
Motovario S.A(France)	1995.2.09	10,976	Manufacture and Sales of motor and gear reducer
Motovario Int. Trading Co. Ltd	2004.7.22	7,161	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	3,412,879	Holding Company
TECO MOTOR B.V.	2015.7	3,398,340	Holding Company
Wuxi TECO Precision Mechatronics Co., Ltd	2015.7	851,606	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	933,432	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
Teco Sun Energy	2018.6.15	70,000	Production of equipment for power generation, transmission and distribution

Company	Date of Incorporation	Paid-in Capital	Major Business
Temico International Pte. Ltd.	2018.6.21	394,814	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
Teco Electric Motors Africa Pty. Ltd	2017.11	0	Agent of motor and home appliance
F C R Motion Technology Pty. Ltd.	2018.2	54,905	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
TaiOemg Energy	2013.10.09	136,000	Energy Technology Service
TECO ELECTRIC & MACHINERY SA DE CV	2023.03	1,533,725	Manufacture and Sales of motor
Teco NexE, Inc.	2023.10	58,340	Sales of part of TECO's product in USA

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	863,765	382,683	481,082	1,473,050	75,027	81,246	10.26
Tecnos International Consultant Co., Ltd.	130,119	427,070	241,140	185,930	2,032,473	36,261	29,202	2.24
TECO International Investment Co., Ltd.	778,474	1,985,703	77,763	1,907,940	88,951	81,516	88,951	1.14
TECO Electro Devices Co., Ltd.	172,148	599,577	252,706	346,871	530,849	8,411	14,475	0.84
TECO Electric & Machinery (Pte) Ltd. Singapore	186,320	3,876,478	390,006	3,486,472	1,697,974	128,988	110,032	13.75
Information Technology Total Services Co., Ltd.	273,234	1,011,545	428,112	583,433	1,343,318	76,074	74,164	2.71
UVG Investment Co., Ltd.	7,228,370	8,934,632	396,820	8,537,812	0	-274	1,251,127	5.31
Tong-An Investment Co., Ltd.	5,802,343	20,378,979	897,997	19,480,982	648,385	591,424	595,815	1.03
TECO Holding USA Inc.	820,038	16,820,383	3,623,006	13,197,377	11,661,630	1,535,364	1,425,719	53.38
TECO Westinghouse Motor Company	634,550	7,914,030	2,082,229	5,831,801	9,527,101	1,231,404	1,058,646	51.23
An-Tai International Investment Co., Ltd.	396,419	865,786	30,482	835,304	21,658	24,704	24,169	0.61
Taian (Subic) Electric Co., Inc	205,447	406,780	97,826	308,954	402,603	25,680	18,191	3.26
Taian-Etacom Technology Co., Ltd.	83,000	793,432	585,138	208,294	1,122,829	83,081	65,892	7.94
Tasia (PTE) Ltd.	24,734	503	117	386	0	-200	-200	-0.19
Teco Electronic & Machinery (THAI) Co., Ltd.	53,640	223,497	28,218	195,279	194,996	11,634	11,985	0.20
TECO Australia Pty. Ltd.	629,400	2,205,900	757,525	1,448,375	2,148,403	148,892	119,873	4.00
TECO Industrial Malaysia Sdn. Bhd.	591,894	1,085,834	361,605	724,229	1,139,961	-2,484	5,959	0.07
P.T TECO Elektro, Indonesia	781,442	481,789	3,999	477,790	24	17,866	17,907	0.70
Asia Air Tech Industrial (PTE) Ltd.	260,993	134,663	7,484	127,179	0	-218	-393	-0.05
TECO Westinghouse Motor Industrial, Canada	25,613	1,675,365	374,379	1,300,986	1,816,725	305,501	242,953	220.07
Jiangxi TECO Westinghouse Motor Coil Co., Ltd	106,756	187,011	63,792	123,219	186,493	10,648	12,123	NA
Teco Westinghouse Colombia S.A.S.	0	0	0	0	0	0	0	NA
An-Tai International Investment (Singapore) Co., Ltd.	265,880	268,114	135	267,979	0	1,241	196,063	17.17
TECO (Dong Guang) Air Conditioning Equipment Co., Ltd.	304,434	140,580	6,963	133,617	19,593	-4,076	-162	NA
Micropac (BVI) Worldwide	211,361	819,038	49	818,989	0	-181	74,114	10.77
Taian Technology (Wuxi) Co., Ltd	513,204	1,448,351	570,204	878,147	1,586,021	35,536	74,273	NA
Great Teco Motor Ltd.	3,409,060	4,896,523	263	4,896,260	0	-296	908,380	8.18
Jack Property Service & Management Company	30,250	304,121	144,167	159,954	487,515	44,432	38,716	12.80

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS (NT\$)
Universal Mail Service Ltd.	15,600	36,384	12,163	24,221	40,911	3,968	3,143	2.01
Information Technology Total Service (BVI) Co., Ltd.	47,316	82,723	0	82,723	0	-69	2,710	1.76
Tong-An Assets Management & Development Co., Ltd.	3,954,153	6,649,674	1,456,167	5,193,507	168,961	62,915	-47,317	-0.12
P.T. TECO Multiguna Electro	15,008	457,989	41,823	416,166	497,209	61,130	53,451	0.01
Yatec Engineering Corporation	120,100	294,320	81,168	213,152	255,321	238,986	12,762	1.06
TECO New Zealand Limited	58,170	87,798	77,056	10,742	96,338	9,657	10,708	3.57
Asia Electric & Machinery	1,679,103	325,105	231	324,874	0	-246	2,666	0.05
Wuxi TECO Electric & Machinery Co., Ltd	1,449,991	4,968,824	2,436,382	2,532,442	5,954,796	733,256	674,016	NA
Tesen Electric & Machinery Co., Ltd.	200,000	351,876	134,214	217,662	2,526,175	11,747	7,484	0.37
Teco Electronic Devices Co., Ltd.	104,704	245,947	0	245,947	0	0	3,424	1.00
Wuxi Teco Electro Devices Co.,Ltd.	119,135	386,773	242,420	144,353	327,509	34,593	3,439	NA
Unison Service Corporation	17,000	54,338	27,592	26,746	97,336	11,313	8,996	5.29
Taian Electric Co., Ltd.	1,000	759	420	339	0	-19	-15	-0.15
E-Joy International Co., Ltd.	115,798	237,260	102,775	134,485	517,275	15,271	13,846	1.20
A-Ok Technical Co., Ltd.	22,500	171,541	112,781	58,760	406,222	17,548	14,411	6.40
Nanchang TECO Electric & Machinery Co., Ltd.	493,715	8,572	27,364	-18,792	31	-438	-419	NA
Sankyo Co., Ltd.	6,516	142,391	175,789	-33,398	361,719	40,257	32,611	1.09
TECO Electric & Machinery B.V.	22,427	97,399	494,070	-396,671	128,180	8,014	2,554	3.87
TECO Electric & Machinery Sdn.Bhd.	59,145	424,110	58,218	365,892	383,346	25,541	24,177	2.74
Jiangxi TECO Electric & Machinery Co., Ltd.	1,449,523	1,940,036	298,895	1,641,141	1,027,087	169,805	158,484	NA
Qingdao TECO Precision Mechatronics Co., Ltd	810,287	395,176	118,378	276,798	16,190	-29,891	-1,982	NA
Teco Westinghouse Motor Company S. A. de C. V.	65,361	718,960	622,836	96,124	533,541	61,975	44,443	NA
TYM Electric & Machinery Sdn. Bhd.	3,353	141,368	21,583	119,785	163,527	17,142	14,489	28.45
Teco (Vietnam) Electronic & Machinery Company Ltd.	372,796	592,433	350,021	242,412	936,096	47,907	41,410	NA
TECO Technology (Vietnam) Co., Ltd.	454,482	265,208	294,022	-28,814	206,491	-41,391	-52,108	NA
Asia Innovative Technology (Xiamen) Co., Ltd.	807,084	303,764	24,123	279,641	45,213	5,128	5,128	NA
Fujian TECO Precision Co., Ltd.	363,922	104,975	60,676	44,299	0	-6,401	-1,914	NA
An-Sheng Travel Co., Ltd.	30,000	12,042	1,511	10,531	26,601	101	129	0.04
Information Technology (Wuxi) Co., Ltd.	10,744	42,248	8,216	34,032	53,914	-636	-437	NA
Information Technology Total Service (Xiamen) Ltd.	30,708	35,388	749	34,639	0	-64	-72	-0.07

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS (NT\$)
GreyBack International Property Inc.	9,831	34,339	4,686	29,653	37,828	7,705	7,101	NA
Teco Group Science-Technology (Hang Zhou) Co., Ltd.	6,706	80,014	18,059	61,955	97,594	1,783	1,353	1.35
Taian-Jaya Electric Sdn. Bhd.	3,353	141,368	21,583	119,785	163,527	17,142	14,489	28.45
TECO CAPITAL INC.	20,204	12,006	0	12,006	0	0	1,152	1.75
TECO (PHILIPPINES) 3C & APPLIANCES, INC.	30,041	58,414	60,256	-1,842	44,700	2,185	2,302	2.35
Taiwan Pelican Express Co., Ltd.	954,670	4,345,831	2,120,743	2,225,088	4,168,587	106,486	94,496	0.99
Jiangxi TECO Air Conditioning Equipment Co., Ltd.	160,389	255,985	124,045	131,940	292,958	-11,344	-7,210	NA
Qingdao TECO Innovation Co., Ltd.	56,619	59,293	23,132	36,161	0	-5,772	-2,220	NA
TECOCAPITAL INVESTMENT (SAMOA) Co., Ltd.	61,410	36,600	0	36,600	0	0	-2,241	-1.12
Technical Information International Co., Ltd.	43,270	17,585	1,895	15,690	14,187	1,389	1,622	NA
Shanghai TECO Electric & Machinery Co., Ltd.	58,979	1,945,171	1,674,631	270,540	5,908,462	185,516	162,565	NA
TECO Electric and Machinery GmbH.	850	6,660	841	5,819	19,646	157	101	4.04
Tecom Co., Ltd.	302,719	1,395,576	930,908	464,668	804,032	-21,935	-20,191	-2.60
Baycom Opto-Electronics Technology Co., Ltd.	335,913	516,997	51,573	465,424	257,532	27,067	28,279	0.84
Wuhan Tecom Co., Ltd.	7,163	24,121	25,271	-1,150	62,110	-1,085	-941	NA
Donghua Enterprise Co., Ltd.	18,000	172,941	89,201	83,740	344,487	50,075	39,907	22.17
Teco Elektrik Turkey A.S	6,440	5,211	192	5,019	2,649	-2,083	467	NA
Motovario S.p.A.	611,980	6,865,542	3,240,451	3,625,091	3,925,779	72,613	60,632	3.37
Motovario SAU(Spain)	22,461	215,713	155,681	60,032	472,147	21,230	20,522	NA
Motovario Ltd	14,251	137,769	120,151	17,618	322,490	3,842	5,355	NA
Motovario GMBH	10,942	55,591	63,746	-8,155	192,552	2,527	2,022	NA
Motovario Corp.	9,519	693,411	80,938	612,473	674,626	87,935	67,702	NA
Motovario S.A(France)	10,976	112,508	105,610	6,898	219,207	-944	-2,022	NA
Motovario Int. Trading Co. Ltd	7,161	75,922	39,614	36,308	73,066	-925	-1,109	NA
Motovario Gear Solution Private Ltd	4,618	148,191	283,260	-135,069	196,669	2,539	-17,784	NA
Eagle Holding Co.	3,412,879	4,792,345	0	4,792,345	0	0	67,172	NA
TECO MOTOR B.V.	3,398,340	5,047,104	0	5,047,104	0	0	67,839	NA
Wuxi TECO Precision Mechatronics Co., Ltd	851,606	1,060,725	206,774	853,951	761,573	12,123	17,681	NA
Century Development Corporation	3,509,055	6,483,474	1,989,720	4,493,754	814,208	446,096	366,360	1.04
Century Tech. C&M Corporation	52,500	201,657	138,198	63,459	321,067	12,847	14,283	6.35
United Development Corporation	118,285	219,312	34,057	185,255	5,527	1,168	11,842	1.00

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Sales	Operating Income	Net Profit / Loss	EPS (NT\$)
Teco Industrial System Private Limited	5,501	29,619	27,377	2,242	44,898	4,453	4,419	0.30
Teco Electrical Industries Private Limited	24,011	28,965	41,778	-12,813	42,328	-5,895	-6,417	-0.99
Yatec Engineering (VN) Company Limited	18,548	23,643	2,991	20,652	30,884	2,013	2,114	NA
Century Real Estate (International) Pte. Ltd.	933,432	666,329	61	666,268	0	-93	-7,066	-0.23
CDC Development India Private	746,188	771,050	117,982	653,068	6,740	-4,455	-7,196	0.00
Century Biotech Development Corporation	2,500,000	5,478,562	3,081,782	2,396,780	202,018	-4,469	-41,531	-0.17
Teco Sun Energy	70,000	198,378	120,279	78,099	25,752	10,239	6,334	0.90
Temico International Pte.Ltd.	394,814	312,803	67	312,736	0	-220	-18,919	-1.47
Euro Asia MADO	22,500	10,215	1,393	8,822	2,921	-4,581	-4,195	-1.86
Jing Lao Man Restaurant	34,000	14,891	49,291	-34,400	93,844	-6,488	-6,665	-1.96
Teco Electric Motors Africa Pty. Ltd.	0	643	0	643	0	-111	-111	NA
F C R Motion Technology Pty. Ltd.	54,905	251,026	89,585	161,441	337,343	38,218	26,256	10.03
Temico Motor India Private Limited	343,542	304,426	5,060	299,366	12,955	-26,954	-18,772	NA
Pelican Express (Vietnam) Company Limited	6,024	9,475	2,216	7,259	20,075	602	724	NA
Temico India Private Limited	0	0	0	0	0	0	0	NA
Tong An Energy	50,000	173,924	120,198	53,726	16,474	6,619	4,034	0.81
TECO Green Power Company Limited	295,139	297,419	77	297,342	0	-236	2,402	0.08
TaiPeng Energy	136,000	596,080	458,463	137,617	37,622	5,862	637	NA
TECO ELECTRIC & MACHINERY SA DE CV	1,533,725	540,546	465,363	75,183	0	-77,493	-80,231	NA
Teco NexE, Inc.	58,340	58,352	0	58,352	0	13	13	0.00

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	19,540,052 Shares \$232,969	-	-	19,540,052 shares \$1,135,277	None	-	-
An Tai International Investment Co., Ltd.	396,419	Working Capital	100.00%	Successive Acquisition	2,825,748 Shares \$87,870	-	-	2,825,748 shares \$164,176	None	-	-
Donghua Enterprise Co., Ltd.	18,000	Working Capital	0.00%	Successive Acquisition	77,222 shares \$1,685	-	-	77,222 shares \$4,487	None	-	-
Taiwan Pelican Co., Ltd.	954,670	Working Capital	25.27%	Successive Acquisition	7,070,000 shares \$190,147	-	-	7,070,000 shares \$410,767	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

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