KENMEC MECHANICAL ENGINEERING CO., LTD.

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One. Letter to Shareholders

I. 2022 business results

It has been 46 years since the founding of the Company in 1976. Last year, despite drastic changes in the global economy, all employees of the Company managed to keep up their hard work. In 2022, the consolidated operating revenue was NTD 5,359,208 thousand, an increase of NTD 1,319,430 thousand from 2021. The consolidated net loss before tax was NTD 456,448 thousand, a significant increase of NTD 1,364,337 from 2021, which was mainly due to operating profs from losses of a subsidiary. The operating performance of 2022 is summarized as follows:

1. Business plan and implementation

Unit: NTD thousand

Item	2022		2021		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Operating income	5,359,208	100.0	4,039,778	100.0	1,319,430	32.7
Gross profit from operations	998,083	18.6	168,777	4.2	829,306	491.4
Operating profit (loss)	53,025	1.0	(747,513)	(18.5)	800,538	107.1
Net profit (loss) before tax	456,448	8.5	(907,889)	(22.5)	1,364,337	150.3

2. Status of budget implementation: The Company was not required to disclose its financial forecast in 2022.

3. Revenues, expenses, and profitability analysis

Unit: NTD thousand

			2022	2021	% of increase (decrease)
Revenues and expenses	Operating revenue		5,359,208	4,039,778	32.7
	Operating gross profit		998,083	168,777	491.4
	Net profit (loss) before tax		456,448	(907,889)	150.3
Profitability	Return on assets		4.42	(8.95)	149.3
	Return on equity (%)		8.66	(19.41)	144.6
	Ratio to paid-up capital (%)	Operating profit	2.13	(30.02)	107.1
		Net income before tax	18.33	(36.46)	150.3
	Net profit margin (%)		8.28	(24.10)	134.4
	EPS (NTD)		1.91	(1.16)	264.7

4. Performance in research and development

As one of the few professional companies in Taiwan with turnkey integration of automated logistics systems, the Company possesses over 40 years of rich experience and has nearly 100 expert technical engineers. Our great R&D team has continued to put efforts into R&D and innovation to keep maximizing benefits for the Company and shareholders.

In light of the rapidly changing market demands and the increasing quality needs of customers, the Company must specifically focus on R&D in response to changes in market demands.

Our future R&D projects include the following:

1. Continuing research on and improvement of the current product quality to keep the Company ahead of its competitors.
2. Enhancing process automation to increase productivity and reduce costs.

To sum up, the Company has gained recognition by its peers and trust from its customers in terms of industry, profitability, production and R&D technologies. In the future, the Company and its staff will strive to use every business opportunity to maximize profits for shareholders amid an environment of constantly changing market competition.

II. Summary of the business plan for 2023

1. Operational guidelines
   1) To continue to achieve the purpose of the Company's business philosophy "prosperous company, happy employees", and to combine the existing technology area "protect the earth, benefit people, develop green products", we make every effort to increase product competitiveness while creating social and economic prosperity.
   2) Implement international quality certifications to achieve a win-win situation for both the Company and the customer.
   3) Integrate ERP (Enterprise Resource Planning) system into MES (Manufacturing Execution System) and DIS (Decision Information System) to automatically send important information by email on a periodic basis, strengthen the Company's intranet site in the hope to achieve the Company's overall management information, transparency, and allow costs to be more precise and real-time. The Company's intranet site will also serve as an analysis management tool for decision makers.

2. Expected sales volume and its basis

   The Company's expected business goals for major products for 2022 include: semiconductor (especially third-generation semiconductor) automation equipment, logistics automation equipment, public construction, liquid cooling and heat dissipation system equipment and smart automation equipment. As the integration of automation systems is designed according to the customer's demand, each system will require different parts; hence, there is no point in calculating the quantity.

3. Key marketing policies
   1) Our products are manufactured once we receive orders, and we plan the operating procedures of the automation system for logistics according to the industry that the customer operates in as well as the product's characteristics.
   2) We continue to carry out our quality management policy and personnel autonomy inspection, while strengthening the quality inspection and quality statistics analysis of all stages which will serve as the quality reference for similar projects.
   3) Implement the analysis and review of production completion, hoping that, by doing so, the design planning and manufacturing skills of our employees will be enhanced.
   4) Develop potential customers, while at the same time continuing to expand our international marketing base and overseas distributors to form an international distribution network to increase market share.
   5) Strengthen KENMEC's own quality, cultivate its unique design and manufacturing capabilities to increase competitiveness and expand into the international market.
   6) Adhere to our ongoing effort to develop integrated computer management system and decision support analysis system.

III. Future development strategy

- Expand our overseas market with determination.
- Dedicate ourselves to developing in the market of smart automation equipment and automatic equipment for logistics.

1) Costs are effectively controlled, analyzed and reviewed in a timely manner to insist on reducing manufacturing costs.
2) Continue to keep up with international standards and quality. By doing this, not only are total solutions provided to customers, but we can also meet the market trends.

IV. The impact among the environments of external competition, legal ambiance, and overall business operations

Automation system vendors in Taiwan have their own areas of expertise, and to address the demand for improving the production performance and stabilizing product quality, the demand for automated logistics systems in many industries continues to increase. The Company's customer base lies in the automation with its customers in electronics, information, electrical and mechanical, automotive, petrochemical, textile, food, agricultural and public works industries. Over the years, we have accumulated extensive experience in various professional projects and excellent project performance and have delivered excellent results with our high degree of productivity and competitiveness. Given that we have an extensive range of customers, we are therefore not affected by the recession of certain industries.

KENMEC MECHANICAL ENGINEERING CO., LTD.

Chairman: CHING-FU HSIEH

Two. Company Profile

I. Date of Incorporation

July 12, 1976

II. Company milestones

Month Year	Important Events
1976.07	Established KENMEC Mechanical Engineering Company with a paid-in capital of NTD 1,000,000.
1987.03	1. The Company increased its paid-in capital in cash to NTD 10,000,000. 2. The Company was reorganized and was officially renamed as KENMEC Mechanical Engineering Co., Ltd.
1989.02	1. The Company increased its paid-in capital in cash to NTD 50,000,000. 2. Ruifang Plant was officially put in use.
1989.05	A technical assistance contract for industrial automatic pallet stackers was signed with well-known Japanese company OKURA.
1993.05	1. A technical assistance contract for an automated storage system was signed with IHI. 2. Awarded as an A2 logistics, storage and transportation and A3 production manufacturing technology counseling vendor for 2 years by the Industrial Development Bureau.
1995.06	Awarded as an A2 logistics, storage and transportation and A3 production manufacturing technology counseling vendor for 5 years by the Industrial Development Bureau.
1995.09	The Company increased its paid-in capital in cash to NTD 80,000,000.
1995.12	KENMEC donated its successfully developed automated guided vehicle (AGVs) to nine educational institutions including: Taishan Vocational Training Center, Guangwu, Liming, Xinpu, Mingxin, Dahan, Dongnan, Jianxing, and Xinxing, hoping to promote the application of automation technology and its application field simultaneously with schools/education bodies and the market.
1996.09	1. The Company increased its paid-in capital in cash to NTD 100,000,000. 2. Purchased more land to expand the Ruifang Plant to 2,050 ping (6,777 square meters).
1997.05	Attained a technology-intensive permit from the Industrial Development Bureau for the acquisition of 1,500 ping of land at Linhai Industrial Park.
1997.07	The “Palletless Automatic Stacking Machine” was awarded Taiwan invention patent No.085465.
1998.01	The “Automatic Stacking Device for Space Package Storage Device” was awarded Taiwan utility model patent No.128284.
1998.03	1. Signed the introduction and application of enterprise resource planning (ERP) with United Information System Service in order to integrate material specifications, BOM, order, production, material requirement, procurement, warehouse management, receivable and payable, quality control, cost, personnel, finance, fixed assets, media reporting, decision analysis through a computer management system. By taking such approach, the Company hoped to achieve the goal for employees to increase operational efficiency and refine the operating procedures, while providing the most optimal decision-making management tool for senior executives.

Month Year	Important Events
1998.07	1. The general administration division and the Ruifang Plant passed the GS ISO-9001 international quality certification, with the following approving scopes: (1) Planning, design, manufacturing, installation, testing and after-sales service for the automated logistics storage and transportation system of the entire plant (e.g., conveyor system, automatic warehousing system, automated guided vehicles, automatic stacking/unloading pallets, parking equipment). (2) Incinerator equipment manufacturing, installation, test runs and after-sales service. 2. Merged with Guang-Yi Mechanical Engineering Co., Ltd. which became the Company's Kaohsiung plant while increasing the paid-in capital to NTD 190,000,000.
1999.07	1. The paid-in capital was increased to NTD 360,000,000 and the Company's shares were approved for public offering. 2. The Company underwent a series of IPO operations and accepted the monitoring from the public and competent authorities, enforcing the business philosophy of "prosperous company, happy employees".
1999.08	KENMEC Automation Engineering (Suzhou) was approved for investment and establishment through KENMEC Int'l Holding (BVI) under approval of the Ministry of Economic Affairs with Letter (88) Tou-Shen-Er-Zi No.88724090.
1999.09	The Company's employees donated a day's earnings to charities for the 9/21 earthquake totaling NTD 1,000,000 to help affected areas.
2000.01	1. NIC KENMEC Co., Ltd. was established. 2. Attained the utility model patent for "auxiliary device for parking equipment" with the patent No.151662. 3. Attained the utility model patent for "gripping device for parking equipment" with the patent No.151308. 4. Signed another 5-year technical assistance contract for industrial automatic pallet stackers with OKURA.
2000.06	With the help of the Japanese subsidiary, over 30 prominent management and engineering technicians were sent to Japan to a number of automated logistics factories to learn new professional logistics practices, introduce new technical capabilities and design concepts, plant management and manufacturing, hoping the experience will be beneficial for future engineering and technical capabilities.
2000.08	Attained the utility model patent for "fully automatic pallet wrapping machine" with the patent No.158538.
2000.09	The paid-in capital was increased to NTD 450,000,000.
2001.01	Awarded as an A2 logistics, storage and transportation and A3 production manufacturing technology counseling vendor for 4 years by the Industrial Development Bureau.
2001.03	The Investment Board approved the Company to invest in Huang Pin Electronics (Suzhou) Co Ltd. through the establishment of KENMEC Communication Holding (BVI) Co., Ltd.
2001.04	Applied to trade on the TPEx.
2001.07	1. Passed the SGS ISO9001 3-year international quality certification renewal. 2. The paid-in capital was increased to NTD 495,000,000.
2001.08	1. The TPEx Listing Review Committee and the Board of Directors approved the listing of stock. 2. Attained the invention patent for the "automatic breeding method and its device for sprouting plants" with the patent No.130077.
2001.09	Approved for listing by the Securities and Futures Institute.

Month Year	Important Events
2001.10	The electronic business group was established.
2001.11	Attained the invention patent for the “safety device for parking equipment” with the patent No.176337.
2002.01	1. Began to trade on the TPEx with the stock code 6125 in the category of Electronic Industry. 2. Attained the invention patent for the “operation board of material supply and assembly” with the patent No.472902 in China. 3. Attained the invention patent for the “conductive operating carrier structure” with the patent No.473518 in China.
2002.02	The Zhongli Electronics plant was established, the main product is the production of PDP control panels.
2002.06	The Zhongli plant passed the RWTÜV ISO2000 international quality certification.
2002.09	1. Paid-in capital from earnings was increased to NTD 544,500,000. 2. Attained the invention patent for the “the operation board of material supply and assembly” with the patent No.190336 in Taiwan. 3. Successfully engaged in OEM production for network products.
2002.10	Conducted the first buyback of the Company’s treasury stock.
2002.11	PDP control panels passed customer verification and began mass production.
2002.12	The first domestic unsecured convertible bonds were issued.
2003.06	1. Surplus transferred to capital increase and corporate bonds converted to common stocks increased the paid-in capital to NTD 634,143,720. 2. Conducted the second buyback of the Company’s treasury stock.
2003.08	Passed ISO9001:2000 international quality certification for three years – Taipei, Ruifang.
2003.09	Purchased the land of PHILIPS Zhongli for the Zhongli plant.
2003.10	Passed ISO9001:2000 international quality certification – Zhongli.
2003.11	Conducted the third buyback of the Company’s treasury stock.
2004.01	1. Issued the second domestic unsecured convertible bonds. 2. Passed QS9000:1998 international quality certification for three years – Zhongli. 3. The Investment Commission approved the Company to invest in KENMEC Technology Holding (Samoa) Co., Ltd. through KENMEC Int’l Holding (BVI) Co., Ltd. then the investment in China to establish KENMEC Automation (Tianjin) Co., Ltd.
2004.06	Purchased land and plant in Ruifang and established Ruifang Plant 3.
2004.07	Implemented the application of the 4th buyback of the Company’s treasury stock.
2004.09	Surplus transferred to capital increase and corporate bonds converted to common stocks increased the paid-in capital to NTD 782,426,900.
2005.03	Attained the invention patent for the “composed type conveying roller structure” with the patent No.258973 in Taiwan.
2005.08	1. The Company conducted cash capital increase and raised NTD 600,000,000. 2. Surplus transferred to capital increase and increased the paid-in capital to NTD 979,048,240. 3. The Investment Commission approved the Company’s indirect investment in KENMEC Technology Holding (Fuqing) Co., Ltd., KENMEC Technology (Suzhou) Co., Ltd. and KENMEC Mecha-Tronics (Suzhou) Co., Ltd. through KENMEC Int’l Holding (BVI) Co., Ltd. 4. Attained the invention patent for the “composed type conveying roller structure” with the patent No.719755 in China.
2005.11	Conducted the 5th buyback of the Company’s treasury stock.

Month Year	Important Events
2006.01	Newly added TFT-LCD controller board, new customer of one of EMS' top 5 panel companies
2006.08	The Company conducted cash capital increase and raised NTD 760,000,000.
2006.09	1. Surplus transferred to capital increase and increased the paid-in capital to NTD 1,386,438,810. 2. Conducted the 6th buyback of the Company's treasury stock.
2007.01	Acquired 50% of the shares of KENMEC Vietnam Joint Venture Company.
2007.04	Initiated the establishment of Tainergy Tech Co. Ltd. and acquired 100% of its shares.
2007.06	Acquired 74% of the shares of KENMEC Vietnam Joint Venture Company.
2007.07	1. Acquired 61% of the shares of Chen Xing Communications Technology Co. Ltd. 2. The third domestic unsecured convertible bonds of NTD 1,500,000,000 were issued.
2007.08	1. Surplus transferred to capital increase and increased the paid-in capital to NTD 1,466,760,750. 2. Conducted the 7th buyback of the Company's treasury stock.
2007.09	Invested NTD 800,000,000 in Tainergy Tech Co. Ltd., reducing the equity ownership ratio to 60.2%.
2007.10	Conducted the 8th buyback of the Company's treasury stock.
2008.03	1. Invested NTD 400,000,000 in Tainergy Tech Co. Ltd., increasing the equity ownership ratio to 69.3%. 2. Tainergy Tech Co., Ltd. invested in China and established Tainergy Technology (Kunshan) Co., Ltd.
2008.05	KENMEC's new plants in Suzhou – KENMEC Electromechanical (Suzhou), KENMEC Technology (Suzhou) opened, occupying 20,000 ping (66,116 square meters).
2008.07	1. Acquired 100% of the shares of KENMEC Vietnam Joint Venture Company. 2. Acquired 63.7% of the shares of Chen Xing Communications Technology Co. Ltd. 3. The capital increase from surplus to paid-in capital is NTD 1,554,162 thousand.
2008.08	1. Tainergy plant in Zhongli is put in use. 2. The Electronics Business Group has officially entered into R&D of Blu-ray Players.
2009.04	The 4th domestic unsecured convertible bonds of NTD 800,000,000 were issued.
2009.07	Surplus transferred to capital increase and increased the paid-in capital to NTD 1,712,637,130.
2010.01	1. The Company conducted cash capital increase and raised NTD 915,000,000. 2. Approved by the Approved by the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan to be a publicly listed company.
2010.02	Attained the utility model patent for "multimedia audiovisual playing device with socket structure" with the patent No.M374596.
2010.03	1. Tainergy Tech. Co., Ltd. was listed on TPEx. 2. Resolved to divide the Electronics Business Group Department and established a subsidiary, Kentec Inc.
2010.07	In response to the professional division of labor, the Electronics Business Group Department was divided into a 100% owned investee company, Kentec Inc.
2010.10	Subsidiary Tainergy Tech. Co., Ltd. applied to TWSE for listing.
2011.02	Invested in the establishment of "Ample Assets Holdings Ltd." and acquired 100% of the shares.
2011.04	Kentec Inc. was approved for public listing.
2011.05	Established "Fraternity Trade Development (KunShan) Co., Ltd." in China through a third overseas subsidiary.

Month Year	Important Events
2011.05	The Company conducted cash capital increase and raised NTD 500,000,000.
2011.08	1. Conducted the 9th buyback of the Company's treasury stock. 2. Subsidiary Tainergy Tech. Co., Ltd. began trading on TWSE.
2011.09	Paid-in capital from earnings increased to NTD 2,546,111,500.
2011.10	Set up a Remuneration Committee and appointed its members.
2011.11	Dissolved and liquidated "KENMEC Automation (Tianjin) Co., Ltd.", which was invested through a third overseas subsidiary.
2012.01	Dissolved and liquidated "Huang Pin Electronics (Suzhou) Co Ltd.", which was invested through a subsidiary.
2012.03	Participated in the cash capital increase in Tainergy Tech Co. Ltd., increasing the equity ownership ratio to 53.85%.
2012.04	Subsidiary KENMEC Mecha-Tronics (Suzhou) Co., Ltd. established Jinfeng Logistics Limited Company and acquired 70% of the shares.
2012.04	Conducted the 10th buyback of the Company's treasury stock.
2012.07	The subsidiary KENMEC Mecha-Tronics (Suzhou) Co., Ltd. established Suzhou KENMEC Property Development Ltd. and acquired 100% of the shares.
2013.03	1. Dissolved and liquidated Chen Xing Communications Technology Co. Ltd. 2. Established CHENG YANG ENERGY, CO., LTD. 3. Kentec Inc. signed a "R&D Center for Local Power Optimization System" agreement with the Technological and Higher Education Institute of Hong Kong for developing and testing renewable energy technologies, and became the most complete energy R&D center in Hong Kong. Both parties exchange views on the latest renewable energy technologies.
2013.11	Subsidiary Tainergy Tech. Co., Ltd. privately placed common stocks for NTD 250,000,000,and the paid-in capital after the capital increase was NTD 2,310,450,000.
2013.12	Established Tainergy Tech. Japan Co., Ltd.
2014.04	Subsidiary Tainergy Tech. Co., Ltd. increased its capital by NTD 1,044,225,000, and the paid-in capital after the capital increase was NTD 2,765,450,000.
2014.09	Established VIETNERGY COMPANY LIMITED.
2014.10	Subsidiary Tainergy Tech. Co., Ltd. was awarded the 8th Annual Excellent Enterprise
2014.11	Award in Taoyuan. Cancellation of treasury stock.
2014.11	Awarded 2 stars in "Management Quality Excellence by Chinese Security for Quality Award." Subsidiary Tainergy Tech. Co., Ltd. was awarded with 2 stars in "Management Quality Excellence by Chinese Security for Quality Award."
2014.12	Electric stoves for home appliances developed, designed and manufactured and launched by the subsidiary KENMEC Technology (Suzhou).
2015.01	Common stocks were privately placed for NTD 85,400,000, and the paid-in capital after the capital increase was NTD 2,540,111,500.
2015.02	Established "Suzhou Jin-Guang-Yun Electric Co., Ltd". with a capital of RMB 6 million. Subsidiary KENMEC Technology (Suzhou) was honored as an outstanding contributor to economic and social development and taxation work by Wuzhong District, Suzhou in 2014.
2015.03	Jointly established Hofeng Financial Leasing (Shanghai) Co., Ltd. with Shanghai Xinhe Investment Development Co., Ltd., with an investment ratio of 25%.
2015.08	Conducted the 11th buyback of the Company's treasury stock. Subsidiary Kentec Inc. attained pharmacist manufacturing license.

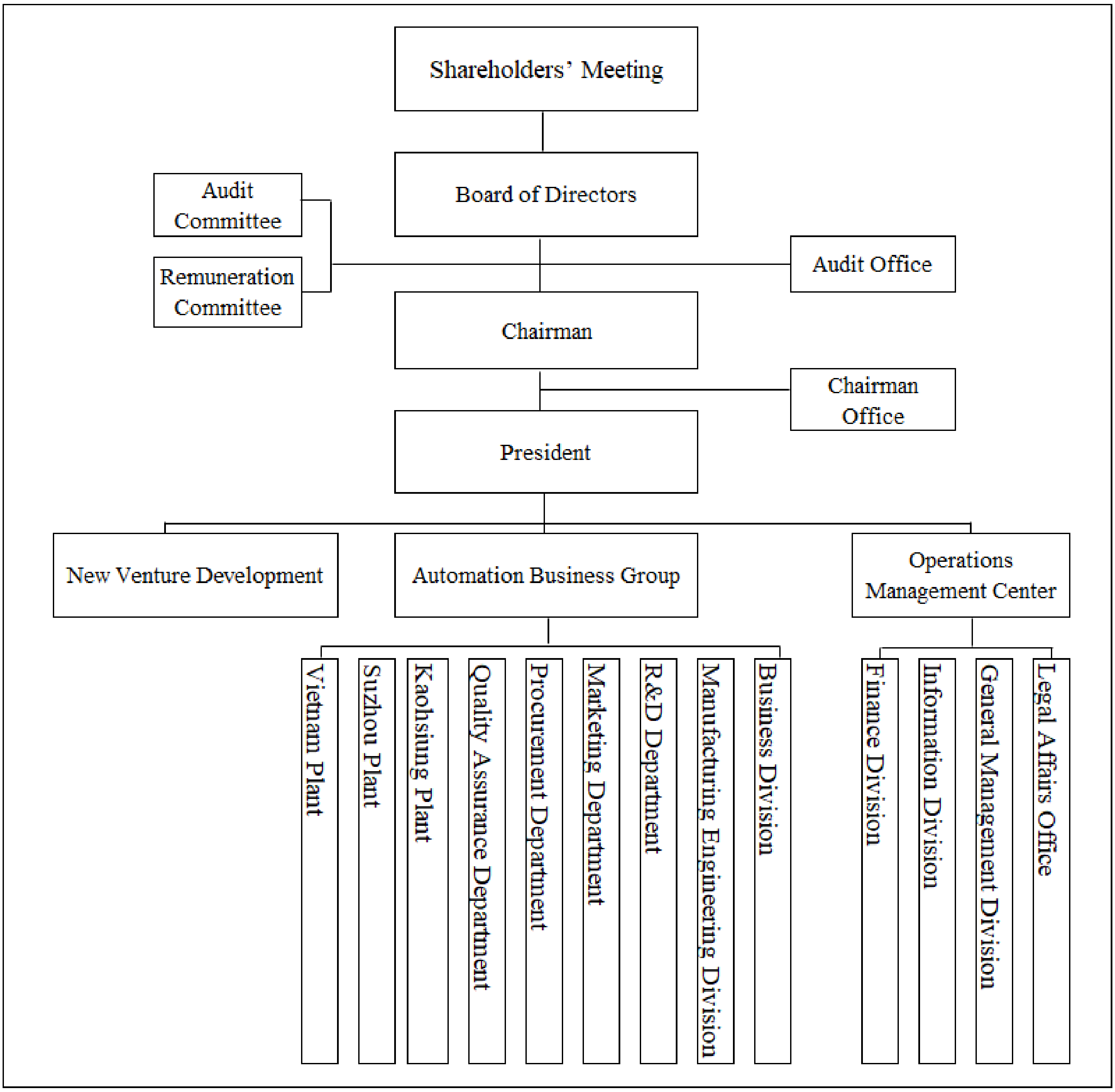
Month Year	Important Events
2015.10	Subsidiary KENMEC Mecha-Tronics (Suzhou) Co., Ltd. established KENMEC Automation Engineering (Kunshan) and acquired 100% of its shares.
2016.01	Dissolved and liquidated "KENMEC Automation Engineering (Suzhou) Co., Ltd.", which was invested through a third overseas subsidiary.
2016.03	Subsidiary Kentec Inc. acquired the patent for reverse imagery capturing device and its system.
2016.05	Subsidiary VIETNERGY COMPANY LIMITED
2016.06	Set up the Audit Committee and appointed independent directors as its members.
2017.07	IPO of subsidiary Kentec Inc. was approved to be canceled.
2017.08	Purchased land and properties located on the 5th floor, No.95, Sec. 2, Nangang Road, Nangang District, Taipei
2017.10	Established Kunshan Kunfu Energy Development Co., Ltd.
2018.03	Tainergy Technology (Ma-an-shan) Co., Ltd.
2018.03	Sold the land, solar power system equipment and related equipment located at No.101, Dashun Road, Xuejia District, Tainan City.
2018.06	Established Star Solar New Energy Co., Ltd.
2018.09	Canceled "Suzhou Jin-Guang-Yun Electric Co., Ltd.", which was invested through a third overseas subsidiary.
2018.10	Conducted the 12th buyback of 5 million shares of the Company's treasury stock.
2018.10	Cancellation of 5 million of shares of treasury stock.
2019.04	Sold all of the land located on No.1571 of Zhong-Gong Section, Zhongli, Taoyuan, and 2 parcels of land that was held 6137/10,000, located on No.3761 of Neili Section, and the properties thereon.
2019.04	Conducted the 13th buyback of 3 million shares of the Company's treasury stock.
2019.09	Conducted the 14th buyback of 2 million shares of the Company's treasury stock.
2019.10	Purchased land and properties located on the 6th floor, No.95 and No.97, Sec. 2, Nangang Road, Nangang District, Taipei
2019.11	Liquidated Tainergy Technology (Ma-an-shan) Co., Ltd.
2019.11	Kunshan Kunfu Energy Development Co., Ltd. changed its name to Kunshan SENSIC Electronic Materials Co., Ltd.
2019.12	Subsidiary Tainergy Tech. Co., Ltd. decreased its capital by NTD 1,565,450,000, and the paid-in capital after the capital reduction was NTD 2,000,000,000.
2020.01	Subsidiary Kentec Inc. decreased its capital by NTD 377,200,000, and the paid-in capital after the capital reduction was NTD 530,000,000.
2020.03	Conducted the 15th buyback of 2 million shares of the Company's treasury stock.
2020.04	Disposed of CHENG YANG ENERGY, CO., LTD.
2020.10	Passed the renewal for ISO 9001-2015 Quality Management System Certification
2020.06	Established TAISIC MATERIALS CO.
2021.01	Conducted the 16th buyback of 2 million shares of the Company's treasury stock.
2021.02	The plant of the subsidiary, Kentec Inc. was relocated to No. 385-3, Hongzhen Road, Pingzhen District, Taoyuan City.
2021.03	The subsidiaries, KENMEC Mecha-Tronics (Suzhou) Co., Ltd. and KENMEC Technology (Suzhou) Co., Ltd. relocated in line with the government policy in China.
2021.06	Subsidiary KENMEC TECHNOLOGY (SUZHOU) CO., LTD. decreased its capital by USD 15,200,000, and the paid-in capital after the capital reduction was USD 28,086,868.
2021.06	Subsidiary TAISIC MATERIALS CO. increased its capital by NTD 400,000,000, and the paid-in capital after the capital increase was NTD 430,000,000.
2021.07	Acquired 100% equity in Hua-Xia Construction Co., Ltd.
2021.08	Established Chief Global Logistics Co., Ltd.

Month Year	Important Events
2021.11	Subsidiary Tainergy Tech. Co., Ltd. increased its capital by NTD 250,000,000, and the paid-in capital after the capital increase was NTD 2,250,000,000.
2022.01	The Company obtained a letter of approval for Taiwanese Business Qualification from the Ministry of Economic Affairs for the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan”
2022.03	Conducted the 17th buyback of 2 million shares of the Company’s treasury stock.
2022.07	Subsidiary TAISIC MATERIALS CO. increased its capital by NTD 70,000,000, and the paid-in capital after the capital increase was NTD 500,000,000.
2022.09	Kunshan SENSIC Electronic Materials Co., Ltd. changed its name to Kunshan Kunfu Electronic Materials Co., Ltd.
2022.10	Dissolved and liquidated “KENMEC TECHNOLOGY (FUQING) CO., LTD.,” which was invested through a third overseas subsidiary.
2022.10	Application of public offering of subsidiary TAISIC MATERIALS CO. was approved and took effect.
2022.12	Dissolved and liquidated “Fraternity Trade Development (KunShan) Co., Ltd.,” which was invested through a third overseas subsidiary.
2022.12	Dissolved and liquidated “Ample Assets Holdings Ltd.”
2022.12	Won the “22nd Public Construction Golden Quality Award” by the Executive Yuan.

Three. Corporate Governance Report

I. Organizational System

1. Organizational structure



2. Operations of main divisions

Department	Main responsibilities
Chairman Office	● Planning on the Company's business strategies, promoting policies, establishing regulations and supervising on investment business.
Audit Office	● Evaluating and recommending effective implementation of the internal control system and carrying out internal audits.
Information Division	● Responsible for the computerization, and introduction and operation of ERP integration of company operations; internal and external network system construction and maintenance, e-information security maintenance.
Finance Division	● Summarizing and preparing all financial statements and providing financial management information. ● Forecasting, managing and long-term financial planning of working capital. ● Analyzing and tracking of the differences between the cost system and budget system.
General Management Division	● Maintaining personnel management, salary calculation, performance appraisal, education and training, and employee welfare relationship. ● General affairs and procurement. ● Import and export shipping. ● Managing the establishment of related systems.
Business Division	● Marketing and developing domestic and overseas business, and evaluating the feasibility of projects. ● Estimating new construction project costs and tendering on construction projects. ● Collecting and analyzing market information
Manufacturing Engineering Division	● Establishing the Company's engineering and product standard drawings and engineering execution system, maintaining and applying standard parts and drawings. ● Providing and reviewing engineering configuration drawings and detailed design drawings for product manufacturing process. ● Writing and testing software and commissioning on-site electronic control system connection. ● Establishing the execution and operation of relevant manufacturing plants. ● Assigning manufacturing-related units, responsible for the manufacturing, assembly, power distribution, commissioning, and plant maintenance management.
R&D Division	● Researching on the development of the company's new products and key components for new technologies and process improvement. ● Developing and applying for different types of product patents.
Marketing Department	● Conducting marketing and development of foreign business and evaluating project feasibility. ● Collecting and analyzing foreign market information. ● Promoting the Company's brand image using various media, platforms and marketing means. ● Planning and carrying out marketing project activities including overseas exhibitions and seminars.
Procurement Department	● Procurement of raw materials and process parts. ● Developing and training subcontractors and controlling outsourced projects. ● Inventory control of raw materials and regular inventory management. ● Material checking and receiving, allocating, and shelf reporting operations.
Quality Assurance Department	● Establishing and implementing ISO9001 quality plan and quality management system, statistical analysis of quality differences. ● Executing and auditing internal quality control (IQC), in process quality control (IPQC), quality assurance (QA). ● Regular calibrating and managing instruments and control equipment. ● Effectiveness management of preventive and corrective measures.

II. Information concerning directors, the president, vice presidents, assistant vice presidents, and department and branch managers

1. Information on directors

April 30, 2023

Title	Nationality or place of registration	Name	Gender Age	Date of election (inauguration)	Term	Date first elected	Shareholding when elected: Number of shares	Shareholding when elected: Shareholding ratio	Current shareholding: Number of shares	Current shareholding: Shareholding ratio	Shareholdings of spouse and underage children: Number of shares	Shareholdings of spouse and underage children: Shareholding ratio	Shares held by proxy: Number of shares	Shares held by proxy: Shareholding ratio	Main career (academic) achievements	Concurrent position in the Company and in other companies	Spouse or second-degree relative acting as directors, supervisors, or department heads: Title	Spouse or second-degree relative acting as directors, supervisors, or department heads: Name	Spouse or second-degree relative acting as directors, supervisors, or department heads: Relationship	Remarks
Chairman and President	Taiwan	CHING-FU HSIEH	Male 71 years old	2019.06.25	3 years	2001.04.18	23,358,707	9.20	14,243,707	5.72	10,217,345	4.10	20,000,000	8.03	EMBA, National Chengchi University Graduated from the Department of Drawing, Taipei Municipal Da-An Vocational High School; designer, Combined Logistics Command depot Salesman of Ye Niu Industrial Co., Ltd.	1. Chairman of Long-Zi Industrial Co., Ltd. 2. Chairman of Shun-Cheng Investment Co., Ltd. 3. Chairman of Shun-Zhong Investment Co., Ltd. 4. Chairman of Tainergy Tech. Co., Ltd. 5. Chairman and president of Tainergy Technology (Kunshan) Co., Ltd. 6. Chairman of KENMEC MECHATRONICS (SUZHOU) CO., LTD. 7. Chairman of KENMEC TECHNOLOGY (SUZHOU) CO., LTD. 8. Chairman of KENMEC International Holding (BVI) Co., Ltd. 9. Chairman of KENMEC Communication Holding (BVI) Co., Ltd. 10. Chairman of TAINERGY TECH HOLDING (SAMOA) CO., LTD. 11. Chairman of KENMEC VIETNAM COMPANY LIMITED 12. Chairman of Shun-Zhong Assets Management Co., Ltd. 13. Chairman of Ming-Xuan Development Co., Ltd. 14. Chairman of Cheng-Feng Assets Management Co., Ltd. 15. Chairman and president of Kentec Inc. 16. President of KENMEC MECHANICAL ENGINEERING CO., LTD. 17. Chairman of KENMEC AUTOMATION ENGINEERING (KUNSHAN) 18. Chairman and president of Kunshan SENSIC Electronic Materials Co., Ltd. 19. Chairman of Ming-Xuan Investment Co., Ltd. 20. Chairman and president of Suzhou KENMEC Property Development Ltd. 21. Director of TAISIC MATERIALS CO.	Director and president of Operations Management Center/CEO of Automation Business Group/Vice President of Automation Business Group	YUEH-CHEN LIN/MING-KAI HSIEH/MING-CHIH HSIEH	Spouse/ Father-son/ Father-son	In view of the Company's operational needs, they are responsible for coordinating the operation and management of the entire company; therefore, they are serving as chairman and president; the Company shall comply with the laws and regulations to carry out relevant affairs in the next election.

Title	Nationality or place of registration	Name	Gender Age	Date of election (inauguration)	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shares held by proxy		Main career (academic) achievements	Concurrent position in the Company and in other companies	Spouse or second-degree relative acting as directors, supervisors, or department heads			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Director	Taiwan	CHOU-HUANG PAI	Male 70 years old	2019.06.25	3 years	2001.04.18	11,985,086	4.72	6,270,086	2.52	1,205,606	0.48	13,000,000	5.22	Graduated from the Department of Drawing, Taipei Municipal Da-An Vocational High School Technician, Combined Logistics Command depot; Salesman, Xin-Yong-Jia Industrial Co., Ltd.	1. Special assistant at the Chairman Office, KENMEC MECHANICAL ENGINEERING CO., LTD. 2. Director of Shun-Cheng Investment Co., Ltd. 3. Director of Shun-Zhong Investment Co., Ltd. 4. Director of KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. 5. Director of KENMEC TECHNOLOGY (SUZHOU) CO., LTD. 6. Director of Ming-Xuan Investment Co., Ltd. 7. Corporate director representative of Kentec Inc. 8. Corporate director representative of DANG-JIE COSTRUCTION Co., LTD. 9. Director of DA WU JIANG INTERNATIONAL CO.,LTD. 10. Corporate director representative of DA WU JIANG INTERNATIONAL CO.,LTD.	None	None	None	
Director	Taiwan	YUEH-CHEN LIN	Female 67 years old	2019.06.25	3 years	92.04.15	17,923,345	7.06	10,217,345	4.10	14,243,707	5.72	0	0	Graduated from Hujiang Senior High School Accountant, President, Assistant Vice President, Special Assistant of President Office of KENMEC MECHANICAL ENGINEERING CO., LTD.	1. Chairman of Chieh Yi Co., Ltd. 2. Director of Shun-Cheng Investment Co., Ltd. 3. Director of Shun-Zhong Investment Co., Ltd. 4. Supervisor of Chung Shih Consulting Co., Ltd. 5. Director of Samoan Rui Shi Co., Ltd. 6. Director of KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. 7. Director of KENMEC TECHNOLOGY (SUZHOU) CO., LTD. 8. President of the Operation and Management Center of KENMEC Mechanical Engineering Co., Ltd. 9. Supervisor of Tainergy Technology (Kunshan) Co., Ltd. 10. Director of Ming-Xuan Investment Co., Ltd. 11. Director of Cheng-Feng Assets Management Co., Ltd. 12. Director of Ming-Xuan Development Co., Ltd. 13. Director of Shun-Zhong Assets Management Co., Ltd.	Chairman and president/CEO of Automation Business Group/Vice President of Automation Business Group	CHING-FU HSIEH/MING-KAI HSIEH/MING-CHIH HSIEH	Spouse/ Mother-son/ Mother-son	

Title	Nationality or place of registration	Name	Gender Age	Date of election (inauguration)	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shares held by proxy		Main career (academic) achievements	Concurrent position in the Company and in other companies	Spouse or second-degree relative acting as directors, supervisors, or department heads			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Corporate director	Taiwan	Shun-Zhong Investment Co., Ltd.	-	2019.06.25	3 years	105.06.30	193,084	0.01	193,084	0.08	0	0	0	0	None	None	None	None	None	
Corporate director representative	Taiwan	MING-KAI HSIEH	Male 46 years old	2019.06.25	3 years	108.06.25	3,801,346	1.53	2,201,346	0.88	51,000	0.02	0	0	Master, Business Administration, National Chengchi University Master, Nankai Institute Of Economics, China	1. Corporate director representative Tainergy Technology (Kunshan) Co., LTD. 2. Director of Kentec Inc. 3. President of Tainergy Tech. Co., Ltd. 4. Corporate director representative of Star Solar New Energy Co., Ltd. 5. Supervisor of TKT CORPORATION 6. Remuneration Committee member of Visual Photonics Epitaxy Co., Ltd. 7. Chairman of TAISIC MATERIALS CO. 8. Chairman of Jui Hsuan Investment Co., Ltd. 9. Chairman of Chief Global Logistics Co., Ltd.	Chairman and president/Director and president of Operations Management Center/Vice President of Automation Business Group	CHING-FU HSIEH/YUEH-CHEN LIN/MING-CHIH HSIEH	Father-son Mother-son Brothers	
Independent director	Taiwan	YI-YU LI	Male 67 years old	2022.06.24	3 years	2022.06.24	0	0	0	0	0	0.00	0	0	Doctorate, Kansas State University, USA Retired Associate Professor, Business Administration Department, National Chengchi University (2021/8/1) Independent director/Risk Committee member of South China Insurance Independent director/Remuneration Committee convener of Celxpert Energy Corporation Independent director/Remuneration Committee convener of Eversol Corporation	Taoyuan Airport service quality and KPI project advisor Independent Director of CONCORD MEDICAL CO., LTD	None	None	None	

Title	Nationality or place of registration	Name	Gender Age	Date of election (inauguration)	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shares held by proxy		Main career (academic) achievements	Concurrent position in the Company and in other companies	Spouse or second-degree relative acting as directors, supervisors, or department heads			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Independent director	Taiwan	CHU-JU PENG	Female 58 years old	2022.06.24	3 years	2022.06.24	0	0	0	0	0	0	0	0	Doctor of Business Administration, National Chengchi University Professor, Business Administration Department, National Chengchi University Director, College of Business Administration, National Chengchi University Chair, Business Administration Department, National Chengchi University Associate Dean, College of Commerce, National Chengchi University Director, PERDO Office, College of Commerce, National Chengchi University Member and Convener, Financial Supervisory Committee, National Chengchi University Center for Business Performance, Cranfield University, UK, Visiting Professor	Professor, Business Administration Department, National Chengchi University	None	None	None	
Independent director	Taiwan	CHIEN-CHOU CHU	Male 49 years old	2022.06.24	3 years	2008.7.15	0	0	0	0	0	0	0	0	The Department and Graduate Institute of Accounting Department of Shipping and Transportation Management, Ocean University Passed the Taiwan's CPA examination Passed the internal auditor examination; accountant of Chen-Hsin Accounting Firm Accountant of Da-Ding Accounting Firm Financial manager of Biotop Technology Co., Ltd. Head of the Audit Department, Deloitte & Touche	1. Accountant of Chuan-Hsing Accounting firm 2. Independent Director of Lungtech, Co., Ltd. 3. Independent Director of Taiwan Shin Kong Security Co., Ltd.	None	None	None	

Note: Where the chairperson of the Board of Directors and the president or person of an equivalent post (the highest level managerial officer) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason, reasonableness, necessity thereof, and the measures adopted in response thereto (for example: method of increasing the number of independent directors with a majority of the directors not serving as an employee or managerial officer).

2. Information concerning the Presidents, Vice Presidents, Assistant Vice Presidents, and department and branch managers:

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Title	Nationality	Name	Gender	Date of election (inauguration)	Shareholding		Shareholdings of spouse and underage children		Shares held by proxy		Main career (academic) achievements	Concurrent positions in other companies	Spouse or second-degree relative acting as managers			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman and President	Taiwan	CHING-FU HSIEH	Male 71 years old	1976.06.01	14,243,707	5.72	10,217,345	4.10	20,000,000	8.03	EMBA, National Chengchi University Graduated from the Department of Drawing, Taipei Municipal Da-An Vocational High School; designer, Combined Logistics Command depot Salesman of Ye Niu Industrial Co., Ltd.	1. Chairman of Long-Zi Industrial Co., Ltd. 2. Chairman of Shun-Cheng Investment Co., Ltd. 3. Chairman of Shun-Zhong Investment Co., Ltd. 4. Chairman of Tainergy Tech. Co., Ltd. 5. Chairman and president of Tainergy Technology (Kunshan) Co., Ltd. 6. Chairman of KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. 7. Chairman of KENMEC TECHNOLOGY (SUZHOU) CO., LTD. 8. Chairman of KENMEC International Holding (BVI) Co., Ltd. 9. Chairman of KENMEC Communication Holding (BVI) Co., Ltd. 10. Chairman of TAINERGY TECH HOLDING (SAMOA) CO., LTD. 11. Chairman of KENMEC VIETNAM COMPANY LIMITED 12. Chairman of Shun-Zhong Assets Management Co., Ltd. 13. Chairman of Ming-Xuan Development Co., Ltd. 14. Chairman of Cheng-Feng Assets Management Co., Ltd. 15. Chairman and president of Kentec Inc. 16. President of KENMEC MECHANICAL ENGINEERING CO., LTD. 17. Chairman of KENMEC AUTOMATION ENGINEERING (KUNSHAN) 18. Chairman and president of Kunshan SENSIC Electronic Materials Co., Ltd. 19. Chairman of Ming-Xuan Investment Co., Ltd. 20. Chairman and president of Suzhou KENMEC Property Development Ltd. 21. Director of TAISIC MATERIALS CO.	Director and president of Operations Management Center/CEO of Automation Business Group/Vice President of Automation Business Group	YUEH-CHEN LIN/MING-KAI HSIEH/MING-CHIH HSIEH	Spouse/ Father-son/ Father-son	In view of the Company's operational needs, they are responsible for coordinating the operation and management of the entire company; therefore, they are serving as chairman and president; the Company shall comply with the laws and regulations to carry out relevant affairs in the next election.

Title	Nationality	Name	Gender	Date of election (inauguration)	Shareholding		Shareholdings of spouse and underage children		Shares held by proxy		Main career (academic) achievements	Concurrent positions in other companies	Spouse or second-degree relative acting as managers			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Special assistant in the Chairman Office	Taiwan	CHOU-HUANG PAI	Male	2007.02.01.	6,270,086	2.52	1,205,606	0.48	13,000,000	5.22	Graduated from the Department of Drawing, Taipei Municipal Da-An Vocational High School Technician, Combined Logistics Command depot, Salesman, Xin-Yong-Jia Industrial Co., Ltd.	1. Special assistant at the Chairman Office, KENMEC MECHANICAL ENGINEERING CO., LTD. 2. Director of Shun-Cheng Investment Co., Ltd. 3. Director of Shun-Zhong Investment Co., Ltd. 4. Director of KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. 5. Director of KENMEC TECHNOLOGY (SUZHOU) CO., LTD. 6. Director of Ming-Xuan Investment Co., Ltd. 7. Corporate director representative of Kentec Inc. 8. Corporate director representative of DANG-JIE COSTRUCTION Co., LTD. 9. Director of DA WU JIANG INTERNATIONAL CO.,LTD. 10. Corporate director representative of DA WU JIANG INTERNATIONAL CO.,LTD.	None	None	None	
CEO, Automation Business Group	Taiwan	MING-KAI HSIEH	Male	2019.03.01	2,201,346	0.88	51,000	0.02	0	0	Master, Business Administration, National Chengchi University Master, Nankai Institute Of Economics, China	1. Corporate director representative Tainergy Technology (Kunshan) Co., LTD. 2. Director of Kentec Inc. 3. President of Tainergy Tech. Co., Ltd. 4. Corporate director representative of Star Solar New Energy Co., Ltd. 5. Corporate director representative of KENMEC MECHANICAL ENGINEERING CO., LTD. 6. Remuneration Committee member of Visual Photonics Epitaxy Co., Ltd. 7. Chairman of TAISIC MATERIALS CO. 8. Chairman of Jui Hsuan Investment Co., Ltd. 9. Chairman of Chief Global Logistics Co., Ltd. 10. Supervisor of TKT CORPORATION	Chairman and president/Director and president of Operations Management Center/Vice President of Automation Business Group	CHING-FU HSIEH YUEH-CHEN LIN MING-CHIH HSIEH	Father-son Mother-son Brothers	

Title	Nationality	Name	Gender	Date of election (inauguration)	Shareholding		Shareholdings of spouse and underage children		Shares held by proxy		Main career (academic) achievements	Concurrent positions in other companies	Spouse or second-degree relative acting as managers			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
President, Operation and Management Center	Taiwan	YUEH-CHEN LIN	Female	1986.05.15	10,217,345	4.10	14,243,707	5.72	0	0	Graduated from Hujiang Senior High School Accountant, President, Assistant Vice President, Special Assistant of President Office of KENMEC MECHANICAL ENGINEERING CO., LTD.	1. Chairman of Chieh Yi Co., Ltd. 2. Director of Shun-Cheng Investment Co., Ltd. 3. Director of Shun-Zhong Investment Co., Ltd. 4. Supervisor of Chung Shih Consulting Co., Ltd. 5. Director of Samoan Rui Shi Co., Ltd. 6. Director of KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. 7. Director of KENMEC TECHNOLOGY (SUZHOU) CO., LTD. 8. President of the Operation and Management Center of KENMEC Mechanical Engineering Co., Ltd. 9. Supervisor of Tainergy Technology (Kunshan) Co., Ltd. 10. Director of Ming-Xuan Investment Co., Ltd. 11. Director of Cheng-Feng Assets Management Co., Ltd. 12. Director of Ming-Xuan Development Co., Ltd. 13. Director of Shun-Zhong Assets Management Co., Ltd.	Chairman and president/CEO of Automation Business Group/Vice President of Automation Business Group	CHING-FU HSIEH MING-KAI HSIEH MING-CHIH HSIEH	Spouse/ Mother-son/Mother-son	
Vice President, the Operation and Management Center	Taiwan	LI-CHUAN SHEN	Female	1987.09.10	470,923	0.19	57,071	0.02	0	0	Graduated from Department of Business Administration, National Taipei University of Business Accountant, secretary, section chief, assistant manager of management department, manager of KENMEC MECHANICAL ENGINEERING CO., LTD.	1. Director of TeraSolar Energy Materials Corp. (Legal Representative) 2. Director of United Information System Service Co., Ltd. (Legal Representative) 3. Supervisor of TAISIC MATERIALS CO. (Legal Representative) 4. Director of Tao Garden Hotel Co., Ltd. (Legal Representative) 5. Supervisor of Chief Global Logistics Co., Ltd. (Legal Representative) 6. President of Tainergy Tech. Co., Ltd. (Legal Representative)	None	None	None	
President of Automation Business Group	Taiwan	CHIH-CHUN KE	Male	2019.04.01	517,927	0.21	3,502	0.00	0	0	Master of Business Administration, Royal Roads University, Canada Graduated from China University of Science and Technology Engineer, executive, deputy manager, manager, assistant vice president, vice president of Business Department of KENMEC MECHANICAL ENGINEERING CO., LTD. Salesman, Pai-Hung Industrial Co., Ltd. Engineer of R&D Department, Up-safe Industrial Corporation.	1. Director of eCATCH Automation Co., LTD. (Legal Representative) 2. Director of Chief Global Logistics Co., Ltd. (Legal Representative)	None	None	None	

Title	Nationality	Name	Gender	Date of election (inauguration)	Shareholding		Shareholdings of spouse and underage children		Shares held by proxy		Main career (academic) achievements	Concurrent positions in other companies	Spouse or second-degree relative acting as managers			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Vice President, Automation Business Group	Taiwan	MING-CHIH HSIEH	Male	2016.01.01	514,850	0.21	214,716	0.09	0	0	Graduated from the Department of Information of Christchurch Polytechnic Institute of Technology Administrator, executive, deputy manager, manager, assistant vice president of Business Department of KENMEC MECHANICAL ENGINEERING CO., LTD. Deputy manager, assistant vice president, vice president of KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	1. Director of Ming-Kai Investment Co., Ltd. 2. Director of Kai-Xuan Investment Co., Ltd. 3. Director of Suzhou KENMEC Property Development Ltd. 4. Director of Tainergy Tech. Co., Ltd. 5. Director of TKT CORPORATION 6. Vice Chairman of Anhui Rongyun Real Estate Development Co., Ltd.	Chairman and president/Director and president of Operations Management Center/ CEO, Automation Business Group	CHING-FU HSIEH YUEH-CHEN LIN MING-KAI HSIEH	Father-son Mother-son Brothers	
Vice President, Automation Business Group	Taiwan	LIEN-YUAN WENG	Male	2014.07.01	103,000	0.04	0	0.00	0	0	Graduate from National Kaohsiung University of Applied Sciences, Department of Mechanical Engineering Deputy chief, chief, manager of Manufacturing Department, manager of Sales Department, director and vice president of KENMEC MECHANICAL ENGINEERING CO., LTD. Draftsman of Ching Fu Enterprise Co., Ltd.	Director of Chief Global Logistics Co., Ltd. (Legal Representative)	None	None	None	
Finance Division Assistant vice president	Taiwan	CHIN-I LAI	Male	1998.03.23	126,011	0.05	0	0.00	0	0	Graduated from Department of Accounting, National Chung Hsing University Senior auditor of KMPG Deputy manager, Writing Off Department of Taiyu Securities Co., Ltd. Manager of Finance Department, Wei-Hong Information Co., Ltd. Manager of Audit Office, Happy Mountain Corporation	None	None	None	None	

Note: Where the president or person of an equivalent post (the highest level managerial officer) and the chairman of a company are the same person, spouses, or relatives within the first degree of kinship, the reason, reasonableness, necessity thereof, and the measures adopted in response thereto (for example: method of increasing the number of independent directors with a majority of the directors not serving as an employee or managerial officer) shall be disclosed.

3. Major shareholders of corporate shareholders:

Names of corporate shareholders	Major shareholders of corporate shareholders	Shareholding ratio
Shun-Zhong Investment Co., Ltd.	Ming-Xuan Investment Co., Ltd.	100%

Note 1: If the Director or Supervisor is the representative of a corporate shareholder, please fill in the name of the corporate shareholder.
Note 2: Please fill in the name of the major shareholder of the corporate shareholder (top 10 in shareholding) and the shareholding ratio. If the major shareholder is a corporate entity, please also fill in Table 2.
Note 3: If a corporate shareholder is not a corporate organization, the name of the shareholder and the shareholding ratio disclosed in the preceding paragraph shall be the name of the contributor or donor and the ratio of contribution or contribution.

4. If a major shareholder of corporate shareholders is the representative of corporate shareholders:

Names of corporate shareholders	Major shareholders of corporate shareholders	Shareholding ratio
Ming-Xuan Investment Co., Ltd.	CHOU-HUANG PAI	29.98%
	TUNG-HSUEH HUNG	10.02%
	Ming-Kai Investment Co., Ltd.	60.00%

Names of corporate shareholders	Major shareholders of corporate shareholders	Shareholding ratio
Ming-Kai Investment Co., Ltd.	Kai-Xuan Investment Co., Ltd.	100%

Names of Corporate entities	Major shareholders of corporate entities	Shareholding ratio
Kai-Xuan Investment Co., Ltd.	MING-KAI HSIEH	33.33%
	MING-CHIH HSIEH	33.33%
	CHIAO-AN HSIEH	33.33%

Note 1: If the major shareholder in Table 1 is a corporate entity, please fill in their name.
Note 2: Please fill in the name of the major shareholder of the corporate (top 10 in shareholding) and the shareholding ratio.
Note 3: If a corporate shareholder is not a corporate organization, the name of the shareholder and the shareholding ratio disclosed in the preceding paragraph shall be the name of the contributor or donor and the ratio of contribution or contribution.

5. Information on professional qualifications of directors and independence of independent directors

The Company promotes and respects a policy of the diversity for directors. As a means to strengthen corporate governance while promoting the sound development of the Board's composition and structure, we believe diversity guidelines help improve the Company's overall performance. The principle for the selection of the Board members is based on their professionalism and dedication, including the basic composition (e.g., age, gender, nationality) and their respective industrial experience and related skills (e.g., mechanical, engineering, financial accounting), as well as their ability in business judgment, management, leadership in decision-making, and crisis management.

(I) Information on professional qualifications of directors and independence of independent directors

The Company's policy for the diversity of the current Board members and the implementation status is as follows:

Qualifications / Name	Basic composition: Nationality	Basic composition: Gender	Basic composition: With employee status	Basic composition: Age: 40–50 years old	Basic composition: Age: 51–60 years old	Basic composition: Age: 61–70 years old	Basic composition: Age: 71–80 years old	Basic composition: Years of service of independent directors: 0–3 years	Basic composition: Years of service of independent directors: Over 9 years	Industrial experience: Business and supply	Industrial experience: Mechanical and engineering	Industrial experience: Financial affairs and finance	Professional competence: Financial affairs	Professional competence: Risk management	State of independence (Note)	Number of public companies in which concurrently serves as an independent director
CHING-FU HSIEH	Taiwan	Male	ˇ				ˇ			ˇ	ˇ			ˇ	The Company has 7 directors, including 5 male directors and 2 female director. All directors are Taiwanese, with an average age of 61 years. Of these directors, 3 are independent directors, accounting for 37.5% of the Board of Directors. There were no circumstances specified in Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act (a spouse or second-degree relative between directors).	0
CHOU-HUANG PAI		Male	ˇ			ˇ				ˇ	ˇ			ˇ		0
YUEH-CHEN LIN		Female	ˇ			ˇ						ˇ	ˇ			0
Legal representative of Shun-Zhong Investment Co., Ltd. – MING-KAI HSIEH		Male	ˇ	ˇ						ˇ				ˇ		0
YI-YU LI		Male				ˇ	ˇ	ˇ		ˇ		ˇ	ˇ	ˇ		1
CHU-JU PENG		Female			ˇ		ˇ	ˇ		ˇ		ˇ	ˇ	ˇ		0
CHIEN-CHOU CHU		Male		ˇ					ˇ			ˇ	ˇ			2

(II) Diversity and Independence of the Board:

(1) Board diversification: Specify the Board's diversity policy, objectives and achievement status. The diversity policy includes but is not limited to director selection criteria, the professionalism expected of directors, their qualifications and experience, gender, age, nationality and culture, as well as the composition or proportion of the Board; and describe the company's specific goals and their achievements based on the policy disclosed above.

(2) Independence of the Board of Directors: Specify the number and proportion of independent directors and explain the independence of the Board of Directors, with details of whether the matters stated in Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act are met; including a description where there is a spouse or second-degree relative between directors or supervisors or between directors and supervisors.

Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of individual directors and supervisors. If the person is a member of the Audit Committee with accounting or financial expertise, their accounting or financial background and work experience shall be specified; while stating whether the person meets the circumstances provided in Article 30 of the Company Act.

Note 2: For independent directors, their independence status must be specified, including but not limited to whether they, their spouses, or second-degree relatives serve as a director, supervisor or employer in the Company or affiliates; the proportion of shares held by the independent directors themselves, their spouses or second-degree relatives (or in the name of others); whether the independent directors serve as a director, supervisor or an employee of a company with which the Company has a specific relationship (refer to Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and amount of remuneration received for providing commercial, legal, financial and accounting services to the Company or its affiliates in the past two years.

6. Remuneration to general directors, independent directors, President and Vice President in the most recent year

(1) Remuneration to general directors and independent directors

December 31, 2022; Unit: NTD thousand

Title	Name (Note 1)	Remuneration to directors								Sum of A, B, C, and D as Percentage of Net Income (Note 10)		Remuneration to Employees Holding Concurrent Positions								Sum of A, B, C, D, E, F and G as Percentage of Net Income (Note 10)		Remuneration from parent company or invested businesses other than subsidiaries
		Remuneration (A) (Note 2)		Retirement pension (B)		Remuneration to directors (C) (Note 3)		Business execution expenses (D) (Note 4)				Salaries, bonuses, special allowances, etc. (E) (Note 5)		Retirement pension (F)		Remuneration to employees (G) (Note 6)						
																The Company		All the companies included in the financial reports (Note 7)				
		The Company	All the companies included in the financial reports (Note 7)	The Company	All the companies included in the financial reports	The Company	All the companies included in the financial reports (Note 7)	The Company	All the companies included in the financial reports	The Company	All the companies included in the financial reports (Note 7)	The Company	All the companies included in the financial reports (Note 7)	The Company	All the companies included in the financial reports	Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares	The Company	All the companies included in the consolidated financial reports (Note 8)	
Director	CHING-FU HSIEH	330	1,020	0	0	2,691	2.691	33	77	3,053 0.6496%	3,788 0.8058%	18,638	28,683	0	0	5,608	0	6,948	0	27,299 5.8074%	39,419 8.3856%	0
	CHOU-HUANG PAI	330	330	0	0	815	815	35	45	1,180 0.2510%	1,190 0.2531%	1,741	1,741	0	0	0	0	0	0	2,921 0.6214%	2,931 0.6235%	0
	YUEH-CHEN LIN	550	550	0	0	815	815	25	25	1,390 0.2957%	1,390 0.2957%	8,257	8,257	108	108	2,243	0	2,243	0	11,998 2.5523%	11,998 2.5523%	0
	Shun-Zhong Investment Co., Ltd. Legal Representative – MING-KAI HSIEH	330	460	0	0	815	815	33	58	1,178 0.2506%	1,333 0.2835%	7,536	13,709	0	100	2,243	0	2,779	0	10,957 2.3309%	17,924 3.8129%	0
Independent director	CHEN-TAI HSIAO	288	288	0	0	388	388	20	20	697 0.1482%	697 0.1482	0	0	0	0	0	0	0	0	697 0.1482%	697 0.1482%	0
	FU-HSIUNG CHENG	288	288	0	0	388	388	20	20	697 0.1482%	697 0.1482	0	0	0	0	0	0	0	0	697 0.1482%	697 0.1482%	0
	YI-YU LI	262	262	0	0	465	465	25	25	752 0.1599%	752 0.1599%	0	0	0	0	0	0	0	0	752 0.1599%	752 0.1599%	0
	CHU-JU PENG	262	262	0	0	465	465	25	25	752 0.1599%	752 0.1599%	0	0	0	0	0	0	0	0	752 0.1599%	752 0.1599%	0
	CHIEN-CHOU CHU	550	550	0	0	815	815	35	35	1, 400 0.2978%	1, 400 0.2978%	0	0	0	0	0	0	0	0	1, 400 0.2978%	1, 400 0.2978%	0

I. Please describe in detail the policy, system, standards and structure of remuneration to independent directors, and describe the association of the amount of remuneration to the responsibilities, risks, time invested and other factors:

The Company's remuneration to independent directors includes reimbursement for carrying out work duties, travel allowances and remuneration distributed to directors.

The Company must pay remuneration regardless of earnings or losses in accordance with the Charter. The remuneration is handled according to the Company's "Regulations for Remuneration to Directors".

The remuneration distribution of the Company's annual profit is determined by reference to the number of times directors attend board meetings or his/her contribution to the Company

(including, but not limited to, the number of the Company's shares held and providing endorsement/guarantee for the Company) during his/her term. Therefore, the policy and determination of remuneration to independent directors is positively linked to operating performance and risk exposure.

The Company has purchased liability insurance for all directors and supervisors to minimize the risk of them being charged for their due execution of duties by shareholders or other related parties.

II. In addition to the disclosure in the above table, remuneration received by directors in the most recent fiscal year (e.g., for serving as a consultant for a non-employee of the parent company/companies included in the financial reports/investment businesses): None.

III. New independent directors YI-YU LI and CHU-JU PENG were elected on June 24, 2022. The former independent directors CHENG-TAI HSIUNG and FU-HSIUNG CHENG stepped down.

Note: 1. If any of the following applies to the company, it shall disclose the remuneration paid to each individual director and supervisor: The company may opt either to disclose aggregate remuneration information, with the name(s) indicated for each remuneration range, or to disclose the name of each individual and the corresponding remuneration amount (for individuals, please fill in the title, name and amount separately; filling in the remuneration range table is not required):

(1) A company that has posted after-tax deficits in the parent company only financial reports or individual financial reports within the three most recent fiscal years shall disclose the remuneration paid to "individual" directors. This requirement, however, shall not apply if the company has posted net income after tax in the parent company only financial report or individual financial report for the most recent fiscal year and such net income after tax is sufficient to offset the accumulated deficits.

(2) A company that has had an insufficient director shareholding percentage for three consecutive months or longer during the most recent fiscal year shall disclose the remuneration of individual directors.

(3) A company that has had an average ratio of share pledging by directors in excess of 50 percent in any three months during the most recent fiscal year shall disclose the remuneration paid to each individual director having a ratio of pledged shares in excess of 50 percent for each such month.

(4) If the total amount of remuneration received by all of the directors in their capacity as directors of all of the companies listed in the financial reports exceeds 2 percent of the net income after tax, and the remuneration received by any individual director or supervisor exceeds NTD 15 million, the company shall disclose the remuneration paid to that individual director. (Note: The remuneration to directors and supervisors is calculated based on "remuneration of supervisors" adding "remuneration of directors" in the table above, excluding remuneration received by part-time employees.)

(5) A company listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEx) is ranked in the lowest tier in the corporate governance evaluation for the most recent fiscal year, or in the most recent fiscal year or up to the date of publication of the annual report for that year, the company's securities have been placed under an altered trading method, suspended from trading, delisted from the TWSE or the TPEx, or the Corporate Governance Evaluation Committee has resolved that the company shall be excluded from evaluation.

(6) The average annual salary of the full-time non-supervisory employees in a TWSE or TPEx Listed company is less than NTD 500,000 for the most recent fiscal year.

2. If the circumstance in sub-item "a" or in sub-item "e" of the preceding item applies to a company listed on the TWSE or the TPEx, it shall disclose the individual remuneration paid to each of its top five management personnel (e.g., the president, vice president, chief executive officer or finance manager).
3. Actual amount paid in the most recent fiscal year: In 2022, there was no actual payment of retirement.
4. Amount allocated for retirement funds in the most recent fiscal year: The Company has not yet formulated measures for the retirement plan for directors.
5. Only Chairman Hsieh was provided with an official car to carry out duties. Depreciation expense is included in remuneration for the current period.
6. The motion for the 2022 earnings distribution was resolved by the Board of Directors' meeting held on March 10, 2023; the motion for remuneration to directors/supervisors and employees was resolved by the Board of Directors' meeting held on March 10, 2023, pending resolution at the shareholders' meeting. The amount for remuneration to directors and employees are handled in accordance with the Company's Articles of Incorporation.

Range of Remuneration

Range of remuneration to each director	Director name			
	Total remuneration (A+B+C+D)		Total remuneration (A+B+C+D+E+F+G)	
	The Company (Note 8)	All the companies included in the financial reports (Note 9) (H)	The Company (Note 8)	All the companies included in the financial reports (Note 9) (I)
Below NTD 1,000,000	CHEN-TAI HSIAO, FU-HSIUNG CHENG, YI-YU LI, CHU-JU PENG	CHEN-TAI HSIAO, FU-HSIUNG CHENG, YI-YU LI, CHU-JU PENG	CHEN-TAI HSIAO, FU-HSIUNG CHENG, YI-YU LI, CHU-JU PENG	CHEN-TAI HSIAO, FU-HSIUNG CHENG, YI-YU LI, CHU-JU PENG
NTD 1,000,000 (inclusive) – NTD 2,000,000 (exclusive)	CHOU-HUANG PAI, YUEH-CHEN LIN, legal representative of Shun-Zhong Investment Co., Ltd. – MING-KAI HSIEH, CHIEN-CHOU CHU	CHOU-HUANG PAI, YUEH-CHEN LIN, legal representative of Shun-Zhong Investment Co., Ltd. – MING-KAI HSIEH, CHIEN-CHOU CHU	CHIEN-CHOU CHU	CHIEN-CHOU CHU
NTD 2,000,000 (inclusive) – NTD 3,500,000 (exclusive)	CHING-FU HSIEH	None	CHOU-HUANG PAI	CHOU-HUANG PAI
NTD 3,500,000 (inclusive) – NTD 5,000,000 (exclusive)	None	CHING-FU HSIEH	None	None
NTD 5,000,000 (inclusive) – NTD 10,000,000 (exclusive)	None	None	None	None
NTD 10,000,000 (inclusive) – NTD 15,000,000 (exclusive)	None	None	YUEH-CHEN LIN, Legal representative of Shun-Zhong Investment Co., Ltd. – MING-KAI HSIEH	YUEH-CHEN LIN
NTD 15,000,000 (inclusive) – NTD 30,000,000 (exclusive)	None	None	CHING-FU HSIEH	Legal representative of Shun-Zhong Investment Co., Ltd. – MING-KAI HSIEH
NTD 30,000,000 (inclusive) – NTD 50,000,000 (exclusive)	None	None	None	CHING-FU HSIEH
NTD 50,000,000 (inclusive) – NTD 100,000,000 (exclusive)	None	None	None	None
NTD 100,000,000 and above	None	None	None	None
Total (Note)	9	9	9	9

Note: New independent directors YI-YU LI and CHU-JU PENG were elected on June 24, 2022. The former independent directors CHENG-TAI HSIUNG and FU-HSIUNG CHENG stepped down.

Note 1: Directors' names are presented separately (for corporate shareholders, the name of the corporate shareholder and its representatives are stated separately), and the general directors and independent directors shall be presented separately in aggregate sums. If a director is also a president or vice president, this table or the following table (3-1) or the following table (3-2-1) and (3-2-2) shall be filled in.

Note 2: Refers to remuneration to directors in the last year (including salaries, allowances, severance pay, various bonuses and incentives, etc.)

Note 3: Refers to the amount of directors' remuneration that the Board has proposed as part of the latest earnings appropriation.

Note 4: Refers to remuneration to directors for services rendered (including travel, special allowances, various subsidies, accommodation, corporate vehicle and other in-kind benefits). Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above benefits.

Note 5: Refers to any salaries, allowances, severance pay, bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, vehicles and in-kind benefits that the director received in the last year for assuming the role of a company employee (such as a president or vice president, other managerial officers or employees). Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above benefits. Part of the salary expense was recognized according to IFRS2 – "Share-based Payment". Amounts including employee stock options, restricted employee shares and subscription to cash issues are treated as remuneration.

Note 6: Refers to any remuneration that the director has received (in cash or in shares) in the last year for assuming the role of an employee (such as president or vice president, managerial officer or other employees). The amount of employee remuneration proposed by the Board of Directors in the last year has been disclosed (where the amount could not be estimated, the actual amount paid in the last year was presented instead). Table 1-3 has also been completed for reference.

Note 7: The disclosure includes all companies covered by the consolidated financial report (including the Company), and represents the total amount of remuneration paid by all companies above to the Company's directors.

Note 8: The amount of remuneration paid by the Company to each director has been disclosed in ranges. The name of the director must also be disclosed.

Note 9: The details represent the range of remuneration paid by all companies in the consolidated report (including the Company) to each director. The name of the director must also be disclosed.

Note 10: The net income after tax refers to the net income after tax of the most recent fiscal year; if IFRSs have been adopted, the net income after tax refers to the net income after tax of the most recent year for parent company only or individual financial reports.

Note 11:
a. This field represents all forms of remuneration that the presidents and vice presidents received from the Company's invested businesses other than subsidiaries (if none, please fill in "none").
b. For directors who received remuneration from invested businesses other than subsidiaries or the parent company, amounts received from these invested businesses or the parent company have been added to columns I and J of the remuneration brackets table. In which case, columns I and J will be renamed "all invested businesses".
c. Remuneration refers to any returns, remuneration (including remuneration received as an employee, director and supervisor) and professional service fees which the director received for serving as directors, supervisors or managerial officers in invested businesses or the parent company other than subsidiaries.

* The basis of remuneration disclosed above is different according to the basis of the Income Tax Act; hence, the above table has been prepared solely for information disclosure, and not for tax purposes.

(2) Remuneration to the President and Vice President

December 31, 2022; Unit: NTD thousand

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name (Note 1)</th><th colspan="2">Salary (A) (Note 2)</th><th colspan="2">Retirement pension (B)</th><th colspan="2">Bonuses, special allowances, etc. (C) (Note 3)</th><th colspan="4">Employee remuneration amount (D) (Note 4)</th><th colspan="2">Sum of A, B, C, and D as Percentage of Net Income (%) (Note 8)</th><th rowspan="3">Remuneration from invested businesses other than subsidiaries or the parent company (Note 9)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All the companies included in the financial reports (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All the companies included in the financial reports (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All the companies included in the financial reports (Note 5)</th><th colspan="2">The Company</th><th colspan="2">All the companies included in the financial reports (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All the companies included in the financial reports (Note 5)</th></tr>
<tr><th>Amount paid in cash</th><th>Amount paid in shares</th><th>Amount paid in cash</th><th>Amount paid in shares</th></tr>
<tr><td>President (Note 1)</td><td>CHING-FU HSIEH</td><td rowspan="11">21,888</td><td rowspan="11">33,804</td><td rowspan="11">619</td><td rowspan="11">727</td><td rowspan="11">42,227</td><td rowspan="11">47,895</td><td rowspan="11">16,092</td><td rowspan="11">0</td><td rowspan="11">17,969</td><td rowspan="11">0</td><td rowspan="11">80,826
17.19%</td><td rowspan="11">100,396
21.36%</td><td rowspan="11">None</td></tr>
<tr><td>President, Operation and Management Center</td><td>YUEH-CHEN LIN</td></tr>
<tr><td>President, Automation Business Group (Note 1)</td><td>CHIH-CHUN KE</td></tr>
<tr><td>Vice President, Management Center</td><td>LI-CHUAN SHEN</td></tr>
<tr><td>CEO, Automation Business Group (Note 1)</td><td>MING-KAI HSIEH</td></tr>
<tr><td>Special Assistant, Chairman Office (Vice President Level)</td><td>CHOU-HUANG PAI</td></tr>
<tr><td>Vice President, Automation Business Group (Note 1)</td><td>LIEN-YUAN WENG</td></tr>
<tr><td>Vice President, Automation Business Group</td><td>MING-CHIH HSIEH</td></tr>
<tr><td>President, Heat Conduction Department (Note 2)</td><td>MAO-CHIN CHEN</td></tr>
<tr><td>Vice President, Heat Conduction Department (Note 2)</td><td>JUNG-CHENG TSAO</td></tr>
<tr><td>Vice President of the Chairman Office (Note 2)</td><td>HSIU-FEN CHIEN</td></tr>
</table>

Note 1: An official car is provided and depreciation expense is included in remuneration for the current period.
Note 2: MAO-CHIN CHEN retired on March 16, 2022. JUNG-CHENG TSAO left the Company on March 18, 2022. HSIU-FEN CHIEN resigned on June 30, 2022.

Range of Remuneration

<table>
<tr><th rowspan="2">Range of remuneration to the President and Vice President</th><th colspan="2">Names of the president and vice president</th></tr>
<tr><th>The Company (Note 7)</th><th>All the companies included in the financial statements (Note 8) (E)</th></tr>
<tr><td>Below NTD 1,000,000</td><td>MAO-CHIN CHEN, JUNG-CHENG TSAO, HSIU-FEN CHIEN</td><td>MAO-CHIN CHEN, JUNG-CHENG TSAO, HSIU-FEN CHIEN</td></tr>
<tr><td>NTD 1,000,000 (inclusive) – NTD 2,000,000 (exclusive)</td><td>CHOU-HUANG PAI</td><td>CHOU-HUANG PAI</td></tr>
<tr><td>NTD 2,000,000 (inclusive) – NTD 3,500,000 (exclusive)</td><td>MING-CHIH HSIEH</td><td>None</td></tr>
<tr><td>NTD 3,500,000 (inclusive) – NTD 5,000,000 (exclusive)</td><td>None</td><td>MING-CHIH HSIEH</td></tr>
<tr><td>NTD 5,000,000 (inclusive) – NTD 10,000,000 (exclusive)</td><td>MING-KAI HSIEH, LI-CHUAN SHEN, LIEN-YUAN WENG</td><td>LI-CHUAN SHEN</td></tr>
<tr><td>NTD 10,000,000 (inclusive) – NTD 15,000,000 (exclusive)</td><td>CHIH-CHUN KE, YUEH-CHEN LIN</td><td>CHIH-CHUN KE, YUEH-CHEN LIN, LIEN-YUAN WENG</td></tr>
<tr><td>NTD 15,000,000 (inclusive) – NTD 30,000,000 (exclusive)</td><td>CHING-FU HSIEH</td><td>MING-KAI HSIEH</td></tr>
<tr><td>NTD 30,000,000 (inclusive) – NTD 50,000,000 (exclusive)</td><td>None</td><td>CHING-FU HSIEH</td></tr>
<tr><td>NTD 50,000,000 (inclusive) – NTD 100,000,000 (exclusive)</td><td>None</td><td>None</td></tr>
<tr><td>NTD 100,000,000 and above</td><td>None</td><td>None</td></tr>
<tr><td>Total</td><td>11</td><td>11</td></tr>
</table>

Note 1: The names of the Presidents and Vice Presidents are required to be presented separately; the amount of payments made may be presented in aggregate sums. If a director is also a president or vice president, this table and table (1) above shall be filled in.
Note 2: Refers to salaries, allowances, and severance pay made to the Presidents and vice Presidents in the last year.

Note 3: Refers to other remuneration such as bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, corporate vehicle or other in-kind benefits made to the Presidents and Vice Presidents. Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above benefits. Part of the salary expense was recognized according to IFRS2 – "Share-based Payment". Amounts including employee stock options, restricted employee shares and subscription to cash issues are treated as remuneration.

Note 4: Represents the amount of employee remuneration provided for the president and vice president (in cash or in shares), which the Board of Directors has proposed as part of the most recent earnings appropriation (where the amount could not be estimated, a calculation was made based on last year's payout ratio). Table 1-3 has been prepared in addition to the above details. Net income refers to the amount of profit shown in the latest financial reports of the consolidated/standalone entity.

Note 5: The disclosure includes all companies covered by the consolidated financial report (including the Company), and represents the total amount of remuneration paid by all companies above to the Company's president and vice president.

Note 6: The amount of remuneration made by the Company to its Presidents and Vice Presidents; the names of Presidents and Vice Presidents have been disclosed separately in ranges.

Note 7: The disclosure includes the sum of amounts paid by the consolidated entity (including the Company) to the Company's president and president; the names of president and vice president have been disclosed separately in ranges.

Note 8: The net income after tax refers to the net income after tax of the most recent fiscal year; if IFRSs have been adopted, the net income after tax refers to the net income after tax of the most recent year for parent company only or individual financial reports.

Note 9: a. This field represents all forms of remuneration that the presidents and vice presidents received from the Company's invested businesses other than subsidiaries.

b. For presidents and vice presidents who receive remuneration from invested businesses other than subsidiaries, the amount of remuneration from these invested businesses or the parent company have been added to column E of the remuneration brackets table. In which case, Column E will be renamed "all invested businesses".

c. Remuneration refers to any returns, remuneration (including remunerations received as an employee, director and supervisor) and professional service fees which the Company's presidents and vice presidents received for serving as directors, supervisors, or managerial officers in invested businesses or the parent company other than subsidiaries.

* The basis of remuneration disclosed above is different according to the basis of the Income Tax Act; hence, the above table has been prepared solely for information disclosure, and not for tax purposes.

(3) Names of the managers receiving employee remuneration and the distribution thereof

December 31, 2022; Unit: NTD thousand

	Job title (Note 1)	Name (Note 1)	Amount paid in shares	Amount paid in cash	Total	Ratio of total amount to profit after tax (%)
Manager	President	CHING-FU HSIEH	0	16,266,800	16,266,800	3.46%
	Special Assistant of the Chairman (vice president level)	CHOU-HUANG PAI				
	President, Operation and Management Center	YUEH-CHEN LIN				
	CEO, Automation Business Group	MING-KAI HSIEH				
	Vice President, the Operation and Management Center	LI-CHUAN SHEN				
	President of Automation Business Group	CHIH-CHUN KE				
	Executive Vice President, Automation Business Group	MING-CHIH HSIEH				
	Vice President, Automation Business Group	LIEN-YUAN WENG				
	Assistant Manager, Department of Finance	CHIN-I LAI				
	Vice President of the Chairman Office	HSIU-FEN CHIEN				
	President, Heat Conduction Department	MAO-CHIN CHEN				
	Vice President, Heat Conduction Department	JUNG-CHENG TSAO				

Note: MAO-CHIN CHEN retired on March 16, 2022. JUNG-CHENG TSAO left the Company on March 18, 2022. HSIU-FEN CHIEN resigned on June 30, 2022.

* For the motion of earnings distribution for the most recent fiscal year that has not been resolved by the Board of Directors, the remuneration (including shares and cash) to employees from the earnings distribution of the previous year resolved by the shareholders' meeting shall be filled in. For the motion of earnings distribution for the most recent fiscal year passed by the Board of Directors but not yet resolved by the shareholders' meeting, the employee remuneration to managers from the earnings distribution of the most recent fiscal year passed by the Board of Directors shall be filled in. If it is not possible to estimate, the proposed distribution for this year will be calculated based on the actual distribution ratio of the previous year. For the motion of earnings distribution for the most recent fiscal year resolved by the shareholders' meeting, the employee remuneration received by the president and vice president resolved by the shareholders' meeting shall be filled in.

* For the motion of earnings distribution for the most recent fiscal year that has not been resolved by the Board of Directors, the amount of the shares is calculated based on the fair value (refers to the closing price on the balance sheet date) determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers for the previous year for TWSE/TPEx companies. If the company is not a TWSE/TPEx company, the net worth is calculated based on the net value as of the end of the accounting period of the previous year. For the motion of earnings distribution for the most recent fiscal year resolved by the Board of Directors or shareholders' meeting, the fair value of stocks of the TWSE/TPEx is calculated based on the fair value (closing price on the balance sheet date) as prescribed by the Regulations Governing the Preparation of Financial Reports by Securities Issuers for the most fiscal recent year.
* Net income after tax – For the motion of earnings distribution that has not been resolved by the Board of Directors, it refers to the net income after tax of the year prior to the most recent fiscal year. For the motion of earnings distribution resolved by the Board of Directors or shareholders' meeting, it refers to the net income after tax for the most recent fiscal year.

Note 1: Names and titles have been disclosed separately, whereas the amount of profit has been disclosed in aggregate amount.

Note 2: The average closing price of the last month of the accounting period is used for the calculation of the net worth of TWSE/TPEx companies.

Note 3: Pursuant to FSC Letter No. Tai-Cai-Zheng-3-0920001301 dated March 27, 2003; the role of managerial officer covers the following positions:

(1) President or other equivalent position

(2) Vice president or other equivalent position

(3) Assistant vice president or other equivalent position

(4) Chief finance officer

(5) Chief accounting officer

(6) Others with the right to manage affairs and sign for the Company

Note 4: If the directors, president and vice president have received employee remuneration (including stock and cash), other than filling in Table 1-2, this Table must also be filled in.

(4) Analysis of remuneration paid to Directors, Supervisors, President and Vice President by the Company and all companies in the consolidated financial statements in the recent two years as a percentage of net income in the parent company only or individual financial statements and explanation on remuneration policy, standards and composition, procedures and the correlation with operation performance and future risks:

Title	Remuneration as a percentage of net income after tax			
	2022		2021	
	The Company	All the companies included in the financial statements	The Company	All the companies included in the financial statements
Director	12.23%	16.29%	-7.76%	-12.78%
President and Vice President	17.19%	21.36%	-12.83%	-17.67%

The policy for remuneration to director/supervisors is formulated in the Company's Charter which was approved by the shareholders' meeting. The remuneration to the president and vice president is determined based on their participation and contribution to the Company's operations, with reference to local and foreign peers, and is not related to future risks.

III. Corporate governance implementation

(I) Functionality of the Board of Directors

1. Information on the functionality of the Board of Directors:

The Board of Directors held 6 (A) meetings in the most recent year (2022); the attendance of directors is summarized as follows:

Title	Name (Note 1)	Actual Attendance B	Attendance by proxy	Actual attendance rate [B/A]	Remarks	Election date
Chairman	CHING-FU HSIEH	4	1	67	Reelected	2022.6.24
Director	CHOU-HUANG PAI	6	0	100	Reelected	2022.6.24
Director	YUEH-CHEN LIN	6	0	100	Reelected	2022.6.24
Director	Shun-Zhong Investment Co., Ltd. Legal Representative – MING-KAI HSIEH	6	0	100	Reelected	2022.6.24
Independent director	CHEN-TAI HSIAO	2	0	100	Former	2022.6.24
Independent director	CHIEN-CHOU CHU	6	0	100	Reelected	2022.6.24
Independent director	FU-HSIUNG CHENG	2	0	100	Former	2022.6.24
Independent director	YI-YU LI	4	0	100	Newly elected	2022.6.24
Independent director	CHU-JU PENG	4	0	100	Newly elected	2022.6.24

Note 1: If a director or supervisor is a juristic person, please disclose the name of the corporate shareholder and their representative.

Note 2: (1) If a director or supervisor resigns before the end of the year, the resignation date shall be indicated in the Remarks field. The actual attendance rate (%) was calculated on the basis of the number of board meetings held during each director's term and the number of meetings actually attended by that director.

(2) If there is a reelection of directors and supervisors before the end of the year, the new and old directors and supervisors must be stated in the Remarks field, and indicate if such director and supervisor is old, new, or reelected, as well as the reelection date. The percentage of actual (proxy) attendance (%) will be calculated based on the number of Board of Directors' meetings held during active duty and the number of actual (proxy) attendance.

2. Evaluation of the Board of Directors:

Number	Evaluation cycle	Evaluation method	Evaluation period	Evaluation scope	Evaluation content	Evaluation result	Remarks
1	Once a year	Internal self-evaluation of the Board of Directors	Start: January 1, 2022 End: December 31, 2022	The Board as a whole	Participation in the operation of the Company; improvement of the quality of the Board of Directors' decision making; composition and structure of the Board of Directors; election and continuing education of the director, and internal control, reported to the directors on March 10, 2023.	The internal self-evaluation of the Board of Directors: all evaluation item results were generally good; however, the following items require improvement: 1. Low frequency of board meetings 2. In line with the new Roadmap for Corporate Governance, the Board should have more independent directors 3. Members of the Board should strengthen their objective and independent operation 4. The election procedures for board members are advised to take into account the result of individual directors' performance evaluation	
2	Once a year	Self-evaluation of the Director□	Start: January 1, 2022 End: December 31, 2022	Individual Board Member	Alignment of the goals and missions of the company; awareness of the duties of a director; participation in the operation of the company; management of internal relationship and communication; the director's professionalism and	The self-evaluation of the individual Board member: all evaluation item results were generally good; however, the following items are expected to be improved: 1. Adequacy of time devoted by directors to Board-related matters 2. Directors also serving as a director/supervisor at multiple companies	

Number	Evaluation cycle	Evaluation method	Evaluation period	Evaluation scope	Evaluation content	Evaluation result	Remarks
					continuing education; and internal control, reported to the directors on March 10, 2023.		
3	Once a year	Internal self-evaluation of the Board of Directors	Start: January 1, 2022 End: December 31, 2022	The Functional Committee	Participation in the operation of the company; awareness of the duties of the functional committee; improvement of quality of decisions made by the functional committee; makeup of the functional committee and election of its members and internal control, reported to the directors on March 10, 2023.	The internal self-evaluation of the Functional Committee: all evaluation item results were generally good; however, the following items require improvement: 1. The Remuneration Committee has not yet set the salary and remuneration of directors based on performance evaluation results 2. The Functional Committee has not conducted regular and efficient performance evaluations	

(II) Information on the functionality of the Audit Committee

1. The Company's Audit Committee is made up of three independent directors. The purpose of the Audit Committee is to provide assistance to the Board of Directors in carrying out procedures regarding the quality and integrity of accounting, audits and financial reporting and financial controls.

   The Audit Committee held five meetings in 2022; primary matters for reviews included:
   (1) Audit of financial statements and accounting policies and procedures
   (2) The internal control system and related policies and procedures
   (3) Material assets or derivatives transaction
   (4) Material loaning of funds and endorsement/guarantee
   (5) Raising or issuing marketable securities
   (6) Derivatives and cash investments
   (7) Statutory compliance
   (8) Do managers and directors have related party transactions and possible conflicts of interest
   (9) Complaint report
   (10) Fraud prevention plans and fraud investigation report
   (11) Information safety
   (12) Company risk management
   (13) Qualifications, independence and performance evaluation of CPAs
   (14) The hiring or dismissal of an attesting CPA, or the compensation given thereto.
   (15) The appointment or discharge of a financial, accounting, or internal auditing officer
   (16) Implementation of Audit Committee Responsibilities
   (17) Audit Committee performance self-evaluation questionnaire
2. Review of financial reports
   We, the Undersigned Supervisors, hereby acknowledge that the Board of Directors has prepared and submitted hereto the Business Report, Consolidated Financial Statements, and Proposed Allocation of Earnings of KENMEC Mechanical Engineering Co., Ltd. of 2022 and that among them, the Financial Statements have been duly audited by the Deloitte & Touche Taiwan as duly delegated by the Board of Directors which already issued the Audit Report. These business report statements have been audited by the Audit Committee to be accurate.
3. Evaluation of the internal control system effectiveness
   The Audit Committee evaluates the effectiveness of the policies and procedures (including control measures on finance, operation, risk management, information security, outsourcing and statutory compliance) of the Company's internal control system. It also reviews the periodic reports of the Company's Audit Department and CPAs as well as management, including risk management, and statutory compliance. With reference to the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, the Audit Committee believes that the Company's

risk management and internal control system is effective and that the Company has adopted the control mechanisms necessary to monitor and correct non-compliance.

4. Appointment of CPAs

The Audit Committee is given the responsibility of overseeing the independence of the accounting firm to ensure the integrity of the financial statements.

In general, other than tax-related services or specially approved items, the accounting firm must not provide other services to the Company. All services provided by the accounting firm must be approved by the Audit Committee.

In order to ensure the independence of the CPAs, the Audit Committee has formulated an independence evaluation form in accordance with Article 47 of the Certified Public Accountant Act and the contents of

Bulletin No. 10 “Integrity, Impartiality, Objectivity and

Independence” to evaluate the independence, professionalism and appropriateness of the CPAs, while also assessing Has they are related parties or have business or financial interest with the Company. The Audit Committee meeting held on March 18, 2022 and the Board meeting held on March 18, 2022 reviewed and approved that LI-HUANG LI and PO-JEN WENG, of Deloitte Touche Taiwan, met the independence evaluation criteria and are qualified to serve as the Company’s financial and tax CPAs.

5. Audit Committee Attendance

In the most recent year (2022), the Audit Committee had 5 meetings (A), the attendance is as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 1, Note 2)	Remarks	Election date
Independent director	CHEN-TAI HSIAO	2	0	100	Former	111.6.24
Independent director	FU-HSIUNG CHENG	2	0	100	Former	111.6.24
Independent director	CHIEN-CHOU CHU	5	0	100	Reelected	111.6.24
Independent director	YI-YU LI	3	0	100	Newly elected	111.6.24
Independent director	CHU-JU PENG	3	0	100	Newly elected	111.6.24

Note 1: If an independent director resigns before the end of the year, the resignation date shall be indicated in the Remarks field. The actual attendance rate (%) was calculated on the basis of the number of board meetings held during the term of the Audit Committee and the number of meetings actually attended during active duty.

Note 2: If there is a reelection of an independent director before the end of the year, the new and old independent directors must be stated, and indicate if such independent director is old, new, or reelected, as well as the reelection date. The percentage of actual (proxy) attendance (%) will be calculated based on the number of Audit Committee meetings held during active duty and the number of actual (proxy) attendance.

6. Information on the functionality of the Audit Committee

Date of session/time of meeting	Resolution	Matters stipulated in §14-5 of the Securities and Exchange Act	Opinions of the independent directors and the Company’s handling of their opinions	Resolutions made by the Board of Directors or Audit Committee
18th meeting of the 2nd term 2022/03/18	1. Motion for the acknowledgment of the Company’s 2021 business report, financial statements and consolidated financial statements.	V	None	Reviewed and passed by the Audit Committee
	2. Motion for the issuance of the Company’s 2021 internal control system declaration.	V	None	Reviewed and passed by the Audit Committee
	3. Motion for the appointment of the Company’s CPAs and the evaluation of their independence.	V	None	Reviewed and passed by the Audit Committee
	4. Motion to pursue the case of endorsement and guarantee of NTD 100,000,000 to Mega International Commercial Bank by Kentec Inc.	V	None	Reviewed and passed by the Audit Committee
	5. Motion for the proposed loaning of funds of RMB 20 million to the Company’s subsidiary –	V	None	Reviewed and passed by the Audit Committee

Date of session/time of meeting	Resolution	Matters stipulated in §14-5 of the Securities and Exchange Act	Opinions of the independent directors and the Company's handling of their opinions	Resolutions made by the Board of Directors or Audit Committee
	KENMEC AUTOMATION ENGINEERING (KUNSHAN).			
	6. Motion for loaning of funds of USD 4 million and RMB 10 million to the Company's subsidiary, KENMEC Mecha-Tronics (Suzhou) Co., Ltd.	V	None	Reviewed and passed by the Audit Committee
	7. Motion for the proposed loaning of funds of USD 3 million to the subsidiary VIETNERGY COMPANY LIMITED.	V	None	Reviewed and passed by the Audit Committee
	8. Motion for amendment to the Company's "Operating Procedures of Acquisition or Disposal of Assets."		None	Reviewed and passed by the Audit Committee
19th meeting of the 2nd term 2022/05/06	1. Ratification of the motion for the Company's consolidated financial statements for Q1 2022.	V	None	Reviewed and passed by the Audit Committee
	2. Motion for the proposed loaning of funds of USD 2 million and RMB 20 million to the Company's subsidiary – KENMEC Mecha-Tronics (Suzhou) Co., Ltd.	V	None	Reviewed and passed by the Audit Committee
	3. Motion for the proposed loaning of funds of RMB 150 million to the Company's subsidiary – KENMEC AUTOMATION ENGINEERING (KUNSHAN).	V	None	Reviewed and passed by the Audit Committee
	4. Motion to revise the provisions of the previous application of treasury stock transfer to employees.		None	Reviewed and passed by the Audit Committee
	5. To set the Company's GHG inventory and verification schedules.		None	Reviewed and passed by the Audit Committee
	6. Motion for amendment to the Company's "Operating Procedures of Acquisition or Disposal of Assets."		None	Reviewed and passed by the Audit Committee
1st meeting of the 3rd term 2022/07/04	1. Motion for the election of the convener and chair of the Audit Committee meeting.		None	Reviewed and passed by the Audit Committee
	2. Motion for the Company to abandon the subscription of the cash capital increase of subsidiary – TAISIC MATERIALS CO. in 2022.		None	Reviewed and passed by the Audit Committee
	3. Motion for the proposed loaning of funds of RMB 20 million to the Company's subsidiary – KENMEC Mecha-Tronics (Suzhou) Co., Ltd.	V	None	Reviewed and passed by the Audit Committee
	4. Review the motion of the Company's treasury stock transfer to employees.		None	Reviewed and passed by the Audit Committee
2nd meeting of the 3rd term 2022/08/05	1. Ratification of the motion for the Company's consolidated financial statements for Q2 2022.	V	None	Reviewed and passed by the Audit Committee
	2. Motion for the proposed loaning of funds of USD 4,000,000 to the Company's subsidiary – KENMEC Mecha-Tronics (Suzhou) Co., Ltd.	V	None	Reviewed and passed by the Audit Committee
	3. Motion for the proposed cancellation of the remaining balance of NTD 20 million to subsidiary – Kentec Inc.	V	None	Reviewed and passed by the Audit Committee
	4. Motion for the proposed cancellation of endorsement/guarantee of USD 1 million to subsidiary – KENMEC Mecha-Tronics (Suzhou) Co., Ltd.	V	None	Reviewed and passed by the Audit Committee
3rd meeting of the 3rd term 2022/11/04	1. Ratification of the motion for the Company's consolidated financial statements for Q3 2022.	V	None	Reviewed and passed by the Audit Committee
	2. Motion for the 2023 audit plan.		None	Reviewed and passed by the Audit Committee
	3. Motion for the proposed loaning of funds of RMB 30 million to the Company's subsidiary – KENMEC Mecha-Tronics (Suzhou) Co., Ltd.	V	None	Reviewed and passed by the Audit Committee
	4. Motion for amendments to the Company's "Procedures for Handling Material Inside Information."		None	Reviewed and passed by the Audit Committee
	5. Motion for the amendments to the Company's		None	Reviewed and passed by

Date of session/time of meeting	Resolution	Matters stipulated in §14-5 of the Securities and Exchange Act	Opinions of the independent directors and the Company's handling of their opinions	Resolutions made by the Board of Directors or Audit Committee
	"Rules of Procedure for Board of Directors Meeting."			the Audit Committee
	6. Motion for amendments to the Company's "Procedures of Acquisition or Disposal of Assets."		None	Reviewed and passed by the Audit Committee
	7. Motion for amendment to the Company's "Operating Procedures of Acquisition or Disposal of Assets."		None	Reviewed and passed by the Audit Committee
	8. Motion for subsidiary – ENMEC TECHNOLOGY (SUZHOU) CO., LTD. to participate in the investment in a new company.	V	None	Reviewed and passed by the Audit Committee
4th meeting of the 3rd term 2023/03/10	1. Motion for the acknowledgment of the Company's 2022 business report, financial statements and consolidated financial statements.	V	None	Reviewed and passed by the Audit Committee
	2. Motion for the issuance of the Company's 2022 internal control system declaration.	V	None	Reviewed and passed by the Audit Committee
	3. Motion for the appointment of the Company's CPAs and the evaluation of their independence.	V	None	Reviewed and passed by the Audit Committee
	4. Motion for the proposed loaning of funds of RMB 60 million to the Company's subsidiary – KENMEC Mecha-Tronics (Suzhou) Co., Ltd.	V	None	Reviewed and passed by the Audit Committee
	5. Motion for the cancellation of the proposed loaning of remaining funds of USD 2 million to subsidiary – KENMEC Mecha-Tronics (Suzhou) Co., Ltd.	V	None	Reviewed and passed by the Audit Committee
	6. Motion to formulate the Company's "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct."		None	Reviewed and passed by the Audit Committee
	7. Motion to formulate the Company's "Codes of Ethical Conduct."		None	Reviewed and passed by the Audit Committee
5th meeting of the 3rd term 2023/04/07	1. Motion for the Company to acquire land and building in Pingzhen District, Taoyuan City	V	None	Reviewed and passed by the Audit Committee

(III) Composition, duties and operation of the Remuneration Committee

The Company has established the Remuneration Committee resolved by the Board meeting held on October 18, 2011. It is made up of three independent directors (Chen-Tai Hsiao, Fu-Hsiung Cheng, Chien-Chou Chu). The Committee shall exercise the due care of a good administrator to faithfully perform the following duties, and to submit the suggestion for discussion to the Board of Directors.

I. Periodically review the yearly and long-term performance goal of the Directors and managers of the Company, and the policy, system, standard and structure of the remuneration.

II. Periodically evaluate the remuneration to directors and managers.

When the Committee exercises the above duties, it shall follow the guidelines as per below:

I. With respect to the performance assessment and remuneration of directors and managers of the company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the company's business performance, and future risk exposure.

II. Directors and manager officers shall not engage in behavior beyond the risk tolerance level of the Company for the purpose of pursuing remuneration.

III. With respect to the time to distribute bonus in proportion with the short-term performance of directors and senior managers, or remuneration that is partially variable, the Company shall consider the characteristics of the industry and the business nature to decide the proper time to pay.

"Remuneration" as used in the preceding two paragraphs includes cash compensation, stock options, profit sharing and stock ownership, retirement benefits or severance pay, allowances or stipends of any kind, and other substantive incentive measures.

If decision-making and handling of any matter relating to the remuneration of directors and managers of a subsidiary is delegated to the subsidiary but requires ratification by the board of directors of the parent company, the parent company's remuneration committee shall be asked to make recommendations before the matter is submitted to the board of directors for deliberation.

1. Information on members of the Remuneration Committee

Identity (Note 1)	Qualifications Name	Years of service of independent directors		Industrial experience (Note 2)			Professional competence (Note 2)		State of independence (Note 3)	Number of public companies in which concurrently serves as an independent director
		0–3 years	Over 9 years	Business and supply	Mechanical and engineering	Financial affairs and finance	Financial affairs	Risk management		
Independent director	YI-YU LI	ˇ		ˇ		ˇ	ˇ	ˇ	The members of the Company's Remuneration Committee are independent directors of the Board. As of February 28, 2023, the members themselves, their spouses or second-degree relatives held a total of 0 shares of the Company. No members of the Remuneration Committee served as directors, supervisors or employees in companies which have specific relationships with the Company.	1
Independent director	CHU-JU PENG	ˇ		ˇ		ˇ	ˇ	ˇ		0
Independent director	CHIEN-CHOU CHU		ˇ			ˇ	ˇ	ˇ		2

Note 1: Please specify in the table the relevant years of service, professional qualifications and experience and independence for each member of the Remuneration Committee. If a member is an independent director, please make a note stating, "Please refer to Table 1 (I) on p. OO for information on directors and supervisors." For "Identity", please fill in "independent director" or "other" (please add a note for a convener).

Note 2: Professional qualifications and experience: Please specify the professional qualifications and experience of each Remuneration Committee member.

Note 3: Independence status: Please specify the independence status of Remuneration Committee members, including but not limited to whether they, their spouses, or second-degree relatives serve as a director, supervisor or employer in the Company or affiliates; the proportion of shares held by the members themselves, their spouses or second-degree relatives (or in the name of others); whether the members serve as directors, supervisors or employees of companies with which the Company has a specific relationship (refer to Article 6, Paragraph 1, Subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and the amount of remuneration received for commercial, legal, financial and accounting services provided to the Company or its affiliates in the past two years.

2. Information on the functionality of the Remuneration Committee:

Remuneration Committee	Motion content and follow-up	Resolution	The Company's handling of the Remuneration Committee's resolution
1st meeting of the 5th term 2022/07/04	1. Motion for the election of the convener and chair of the Remuneration Committee meeting.	Director Li Yi-Yu serves as the meeting convener and chair of the 5th Remuneration Committee.	None
	2. Review the motion of the Company's treasury stock transfer to employees.	All committee members approved and passed the motion	The motion was submitted to the Board of Directors' meeting and approved by all directors present at the meeting
2nd meeting of the 5th term 2022/11/04	1. Motion for reviewing the annual and long-term performance goal of the directors and managers, and the policy, system, standard and structure of the remuneration, for ratification.	All committee members approved and passed the motion	The motion was submitted to the Board of Directors' meeting and approved by all directors present at the meeting
	2. Motion to discuss the distribution principle of the 2022 year-end bonus to the Company's managers and above.	All committee members approved and passed the motion	The motion was submitted to the Board of Directors' meeting and approved by all directors present at the meeting
3rd meeting of the 5th term 2023/03/10	1. Motion for the distribution of the Company's 2022 remuneration to employees and directors.	All committee members approved and passed the motion	The motion was submitted to the Board of Directors' meeting and approved by all directors present at the meeting

3. Remuneration Committee Attendance
   I. The Company's Remuneration Committee is made up of three members.
   II. Members' term of office: From June 24, 2022, to June 23, 2025; the Committee held 3 (A) meetings in the most recent year, and the qualifications and attendance of the members are as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks	Election date
Convener	CHEN-TAI HSIAO	1	0	100	Former	2022.6.24
Committee member	FU-HSIUNG CHENG	1	0	100	Former	2022.6.24
Committee member	CHIEN-CHOU CHU	3	0	100	Reelected	2022.6.24
Convener	YI-YU LI	2	0	100	Newly elected	2022.6.24
Committee member	CHU-JU PENG	2	0	100	Newly elected	2022.6.24

Note:

(1) If a member of the Remuneration Committee resigns before the end of the year, the resignation date shall be indicated in the Remarks field. The actual attendance rate (%) was calculated on the basis of the number of board meetings held during the term of the Remuneration Committee and the number of meetings actually attended during active duty.

(2) If there is a reelection of the Remuneration Committee before the end of the year, the new and old members of the Remuneration Committee must be stated, and indicate if such member is old, new, or reelected, as well as the reelection date. The percentage of actual (proxy) attendance (%) will be calculated based on the number of Remuneration Committee meetings held during active duty and the number of actual (proxy) attendance.

(IV) Corporate governance implementation and the difference from the Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies and reasons

Item	State of operation			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
I. Has the company established and disclosed its rules of corporate governance in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?		V	The Company has not established Corporate Governance Best Practice Principles; however, the important principles of corporate governance, such as protecting the rights and interests shareholders, strengthening the functions of the board, exercising the functions of supervisors, respecting the rights and interests of stakeholders and enhancing the transparency of information have been stipulated in related measures with the consideration of the Company's current conditions as well as laws and regulations.	The Company has not established Corporate Governance Best Practice Principles; however, it will do so in a gradual manner.
II. Equity structure and shareholders' equity				
(I) Does the company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly?		V	(I) The Company has set up a spokesperson, acting spokesperson, legal and stock affairs personnel dedicated to handling matters concerning shareholders' suggestions. Given the new amendments are being made to the corporate governance provisions, it will be approved by the board of directors at a later day, and related internal procedures will also be established.	Internal procedures have not yet been formulated. In the process of establishment due to revision of laws.
(II) Does the company have control over the list of major shareholders and the controlling parties of such shareholders?	V		(II) The Company holds control over the list of major shareholders and the controlling parties of such shareholders through the actual information provided by the stock agent.	None.
(III) Has the company established and implemented risk control mechanism and firewall between the Company and its affiliates?	V		(III) Aside from the independent operation between the Company and affiliated companies, all business transactions between the Company and its affiliated companies are treated as independent third parties. Holding the principle of fairness and reasonableness, the Company has formulated rules for handling transactions between affiliated companies, specific companies and groups in order to prevent unconventional transactions.	None.
(IV) Has the company established internal regulations prohibiting insider trading against non-public information?	V		(IV) The Company has established internal regulations prohibiting insider trading.	None.

Item	State of operation			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
III. Composition and responsibilities of the Board of Directors				
(I) Has the Board formulated a diversity policy and specific management objectives, and have they been implemented?	V		(I) The composition of the Company's Board of Directors is conducted in a diversified manner with specific management objectives.	None.
(II) Other than establishing a remuneration committee and an audit committee as required by the law, has the company established other functional committees voluntarily?	V		(II) Aside from the establishment of the Remuneration Committee and Audit Committee as required by laws, we have also set up a strategy committee as the Company's highest advisory body for investment decisions. The strategy committee is responsible for analysis of the general economy, financial markets, industry structure and investment principles, and holds a meeting on a weekly basis.	None.
(III) Has the company established the Regulations Governing the Board Performance Evaluation and its evaluation methods, and does the company perform a regular performance evaluation each year and submit the results of performance evaluations to the Board of Directors and use them as reference in determining compensation for individual directors, their nomination, and additional office terms?	V		(III) Board of Directors' self-evaluation or peer evaluation has been established and implemented since January 1, 2020.	None.

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<tr><th rowspan="2">Item</th><th colspan="3">State of operation</th><th rowspan="2">Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(IV) Does the company carry out assessments on the independence of the certified public accountant(s)?</td><td>V</td><td></td><td>(IV) The Company's Audit Committee evaluates the independence and suitability of CPAs on a regular basis every year, and then reports the evaluation results to the Board of Directors. The most recent evaluation was resolved and approved by the Audit Committee on March 10, 2023, and submitted to the Board of Directors for resolution and approval on March 10, 2023.
The evaluation mechanism is as follows:
1. Ensure that the Company CPA is not a related party to the Company or the directors.
2. Comply with the rotation of CPAs as required by the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
3. Obtain the Declaration of Independence issued by CPAs on a regular basis.
4. Obtain information on the 13 Audit Quality Indicators (AQIs) provided by the CPA firm and evaluate the audit quality of the CPA firm and the audit team in accordance with the "Audit Quality Indicators (AQI) Guidelines for Audit Committee Interpretations" issued by the competent authority.
The evaluation results are as follows:
1. The independence between the CPAs and the Company are in line with the Certified Public Accountant Act of the Republic of China, the Code of Ethics for Accountants, and the PCAOB.
2. The Company did not appoint the same CPAs for five consecutive years.
3. Ensure that the audit experience and training hours of accountants and the firm are better than the industry average. In addition, we continued to introduce digital audit tools in the past 3 years to improve audit quality.</td><td>None.</td></tr>
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Item	State of operation			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
IV. Has the Company established a full- or part-time corporate governance unit or personnel to oversee corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders' meetings according to laws, handling corporate registration and amendment registration, producing (or recording) minutes of board meetings and shareholders' meetings)?	V		The Company's Board meeting held on March 19, 2021, resolved to appoint assistant manager Chin-I Lai as the head of corporate governance responsible for protecting the rights of shareholders and strengthening Board functions. Assistant manager CHIN-I LAI has more than three years of experience in financial and stock affairs in public companies. The head of corporate governance is mainly responsible for matters relating to board meetings and shareholders meetings according to laws, producing minutes of board meetings and shareholders meetings, assisting in onboarding and continuous education of directors and supervisors, furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, maintaining communication between directors and senior executives, assisting in arranging meetings with auditors and CPAs, and formulating annual education and training plans according to the nature of the Company's industry and academic qualifications of directors. See Item 10 for further education of the Chief Governance Officer in 2022.	None.
V. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), establishment of investors' relations office on websites and proper response to stakeholders' concerns of corporate social responsibility?	V		We have established a spokesperson and acting spokesperson as the Company's communication channels with stakeholders, and have set up a section on the Company's official website dedicated to stakeholders to provide answers to stakeholders' concerns on corporate social responsibility.	None.
VI. Has the company entrusted professional organizations for handling shareholder meeting matters?	V		The Company has commissioned professional organizations for matters regarding shareholders' meetings.	None.

Item	State of operation			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
VII. Information Disclosure (I) Has the company established a website to disclose information concerning financial affairs and corporate governance?	V		(I) We have set up a website to disclose the Company's profile, basic information and financial information. We have also set up dedicated personnel responsible for the maintenance and update of the website. Website: (http://www.kenmec.com)	None.
(II) Has the company adopted other means for disclosure, such as setting up an English website, appointing personnel to gather and disclose relevant information, properly implementing the spokesperson system, and posting the meetings minutes of investor conference on the company website ?	V		(II) Duties are distributed depending on the work. In addition, we also have a spokesperson and acting spokesperson system in place. Investors can also look up the Company's related financial, business and corporate governance information on the Market Observation Post System website (MOPS).	None.
(III) Does the company publicly announce and file the annual financial report within two months after the close of the fiscal year and announce and file the financial reports of the first, second, and third quarters and the monthly operation status prior to the regulated deadline?	V		(III) The Company releases its financial report in accordance with the prescribed period, and has never released it ahead of the prescribed period.	None.
VIII. Is there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the continuing education for directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that is helpful in understanding the corporate governance operation of the Company?	V		(I) We have established personnel regulations in accordance with applicable laws and regulations to protect the rights and interests of our employees. Meanwhile, we also promote environmental protection policies and dedicate ourselves to increasing the employees' environmental protection and social responsibility awareness, while also ensuring our products are in compliance with the environmental protection regulations. (II) The continuing education for directors and supervisors has been disclosed at "Corporate Governance" section on MOPS. (http://newmops.tse.com.tw) (III) At KENMEC, we keep an open communication channel with our customers. (IV) We take out liability insurance for directors and supervisors. (V) The Company abides by laws and attaches importance to the labor–management relationship. We also	None.

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<tr><th rowspan="2">Item</th><th colspan="3">State of operation</th><th rowspan="2">Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>provide employment opportunities in order to fulfill our social responsibility.</td><td></td></tr>
<tr><td colspan="5">IX. Please specify the status of the correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies.
The Company's corporate governance rankings were 21%–35% in 2017 to 2021, and 36%–50% in 2022. The Company has established and detailed a reporting system on its website to disclose illegal (including corruption) and unethical conduct by internal and external personnel. We, as a company, strive for the development of sustainability in economic, environmental and social aspects, and will continue to uphold our core corporate values of integrity, while holding the long-term sustainable responsibility to our stakeholders and society.
X. Further education of the Chief Governance Officer in 2022 is as follows</td></tr>
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<tr><th rowspan="2">Number</th><th rowspan="2">Institution</th><th rowspan="2">Name of course</th><th colspan="2">Duration</th><th>Course</th></tr>
<tr><th>Start</th><th>End</th><th>Number of hours</th></tr>
<tr><td>1</td><td>Taiwan Corporate Governance Association</td><td>Real Estate Retirement and Family Succession of Taiwanese Businessmen in China</td><td>2022/08/05</td><td>2022/08/05</td><td>3</td></tr>
<tr><td>2</td><td>TPEx</td><td>2022 Listed Companies – Guidelines for Independent Directors and Audit Committee on the Exercise of Powers and Functions and Briefing for Directors and Supervisors</td><td>2022/09/29</td><td>2022/09/29</td><td>3</td></tr>
<tr><td>3</td><td>Taiwan Corporate Governance Association</td><td>Corporate Governance and Securities Regulations</td><td>2022/11/02</td><td>2022/11/02</td><td>3</td></tr>
<tr><td>4</td><td>Taiwan Institute for Sustainable Energy Research</td><td>The 5th GCSF Global Corporate Sustainability Forum</td><td>2022/11/16</td><td>2022/11/16</td><td>3</td></tr>
</table>

Note: The so-called "Corporate Governance Self-Evaluation Report" refers to the Company's current operation and execution status based on the corporate governance self-evaluation items as evaluated and described by the Company itself.

(V) Implementation of sustainable development promotion and difference from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof

Tainergy's management vision is "protect the earth, benefit mankind and develop green products." Based on this notion, we proactively promote many environmental protection policies and dedicate ourselves to increasing the environmental awareness of all our employees, while at the same time ensuring that our products are in compliance with environmental protection regulations.

<table>
<tr><th rowspan="2">Promotion item</th><th colspan="3">Implementation status (Note 1)</th><th rowspan="2">Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>I. Has the company constructed a governance structure to promote sustainable development and established a dedicated (concurrent) unit for the</td><td>V</td><td></td><td>We follow the vision and mission of our ESG policy. In 2022, a proactive approach was taken to implement energy saving and carbon reduction measures within</td><td></td></tr>
</table>

Promotion item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Summary	
promotion of sustainable development, which is managed by senior management by authorization of the board of directors and is supervised by the board of directors?			the Company. Furthermore, meetings regarding energy saving and carbon reduction issues were irregularly held. A “Carbon Neutral Working Team” is in place, which is responsible for internal carbon footprint surveys, evaluating carbon reduction priorities, regular reports and follow-up. The Carbon Neutral Working Team was merged in 2022 and will be renamed to “Sustainable Development Committee” as the Company’s highest level of internal sustainability decision-making center. The CEO will serve as the Committee’s chairman and jointly review the Company’s core operational capabilities alongside senior executives from different fields to make medium and long-term plans for sustainable development. The “Sustainable Development Committee” serves as a cross-departmental communication platform that connects the entire company. A Taskforce is formed through the quarterly meeting depending on the issues. The Taskforce identifies sustainability issues concerning the Company’s operations and stakeholders and formulates countermeasures and task policies, while also creating budgets relating to each organization’s sustainable development and planning and implementing annual programs. The effectiveness of implementation is also tracked by the Taskforce, ensuring that the sustainable development strategy is fully injected into the Company’s daily operations. The chairman of the “Sustainable Development Committee” reports to the Board of Directors on the results of sustainable development implementation and future work plans on a quarterly basis. 4 meetings are held each year for motions including: (1) Identification of sustainability issues that require attention and formulation of corresponding action plans; (2) Revision of objectives and policies for sustainability-	

Promotion item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Summary	
			related issues; (3) Implementation of supervision of sustainable management and evaluation of the implementation status. The Company's Board of Directors receives reports (including an ESG report) from the Management Team on a quarterly basis. The Management Team is required to propose company strategies to the Board of Directors who are required to make judgement on whether or not these strategies are likely to succeed. The progress of these strategies must also be regularly reviewed and the Management Team is urged to make timely adjustments as needed.	
II. Has the company implemented the risk assessment of environmental, social, and corporate governance issues related to corporate operation and established relevant risk management policies or strategies based on the principle of materiality? (Note 2)	V		The internal risk management policy formulated by the Company is based on the foundation of taking precautionary measures in order to reduce possible losses arising from risks. We have also formulated risk management regulations to identify, assess, handle and monitor potential risks that may affect the Company reaching its targets. Regular follow-ups are carried out and these regulations are incorporated into the daily operations of each department.	
III. Environmental issues (I) Has the company implemented environmental policies suitable for the Company's industry characteristics?	V		(I) The Company has established an environmental management system suitable for the Company's industry characteristics, such as the promotion of the 6S system.	In line with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies".
(II) Is the company committed to enhancing the use of energy efficiency and use recycled materials that pose low impact on the environment?	V		(II) The Company dedicates itself to increasing employees' environmental protection awareness and ensuring that the Company's products are in compliance with environmental protection policies. We have been making an effort in increasing the utilization of resources, such as the facilitation of e-operations, plant waste reduction, and resource recycling in order to seek the maximum efficiency of resources.	

Promotion item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Summary	
(III) Does the Company assess the present and future potential risk and opportunities of climate change in relation to the Company and adopt countermeasures related to climate issues?	V		(III) We have evaluated the current and future potential risks and opportunities of climate change posed on the Company and incorporated it into risk management. At the same time, we proactively promote energy saving and carbon reduction, and have installed a solar power system and smart power saving control system.	
(IV) Does the Company gather statistics of the greenhouse gas emissions, water consumption and the gross weight of waste in the past two years and establish policies for the reduction of greenhouse gas emissions and water consumption or other waste management?	V		(IV) We continue to promote energy-saving and carbon reduction strategies to effectively reduce greenhouse gas (GHG) emissions and water consumption. We have set improvement objectives for ourselves and will make gradual improvements in the future. Other specific measures include adding smart current indicators to facilitate electricity control, replacing old lighting with energy-saving lighting, replacing old air conditioners with energy-saving ones, installing water-saving valves to reduce unnecessary waste of resources, and installing solar power systems. The products produced by our subsidiary, Tainergy, utilize the infinite sunlight and transform it into energy, both energy-saving and eco-friendly. By doing so, the subsidiary is also making an effort to fulfill the social responsibility as a global citizen.	

Promotion item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Summary	
IV. Social issues (I) Does the Company develop management policies and procedures in accordance with the relevant regulations and international human rights conventions?	V		(I) In an effort to fulfill our corporate social responsibility and to protect the human rights of our employees, customers and stakeholders, at KENMEC we abide by the principles of the International Bill of Human Rights including the “United Nations Global Compact” and the “Universal Declaration of Human Rights”. Furthermore, we also respect the basic human rights recognized internationally, and have formulated the human rights policy in accordance with applicable labor laws and regulations where the Company operates. The Company’s human rights policy applies to the Company and its domestic and foreign subsidiaries, joint ventures, and other groups or affiliated organizations over which the Company holds substantial control. Our implementation guidelines are 1. diverse inclusion and equal job opportunities; 2. providing a safe and healthy working environment; 3. respecting the freedom of assembly and association of employees; and 4. providing employee education and training.	In line with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies”.

Promotion item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Summary	
(II) Does the company establish and implement proper employee benefit measures (including the salary, holidays, and other benefits) and reflect the corporate business performance or achievements in the employee remuneration?	V		(II) We have a rigorous system in place with comprehensive management rules, including salary management rules and leave management rules, to clearly specify regulations regarding remuneration, leave and employee benefits. Employees also receive an annual health examination, three major festival allowances, wedding and bereavement support payment, and group insurance. For newcomers, we also provide special leave that is better than the provisions prescribed in the Labor Standards Act. In addition, we allocate 5% to 15% of our profits as remuneration to employees, so that the remuneration and the Company's business are growing together. By taking such an approach, we also promote a harmonious labor–management relationship and fulfill corporate social responsibility.	
(III) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	V		(III) We hold annual employee health examinations and occasional labor safety first aid training, and set up an internal epidemic prevention and response unit to establish response plans in the face of an epidemic outbreak in order to provide our employees with a working environment that is both safe and healthy. Meanwhile, there is also health information on the Company's internal website as a means to raise our employees' safety and health awareness. Prior to carrying out work in the Company's plant areas, outsourced vendors must undergo safety and health promotion and a toolbox meeting, in order to ensure the safety and health of the workplace.	

Promotion item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Summary	
(IV) Does the Company have an effective career capacity development training program established for the employees?	V		(IV) KENMEC has formulated the “Employee Development Plan Rules”, and passed the Taiwan Training Quality System (TTQS) standards. We conduct systematic and structured talent cultivation and enhance the career development of our employees in a planned manner to help improve the Company’s business performance. Professional training for functions is provided depending on the needs of different duties. We hold exchange activities for newcomers, annual supervisor training courses for middle management cadres, and annual strategy-based activities for senior management.	
(V) Does the company comply with relevant laws and international standards with regard to issues of customer health and safety, privacy, marketing and labeling in relation to products and services and establish relevant policies and complaint procedures to protect the rights of consumers or customers?	V		(V) We comply with applicable laws and regulations and international standards in respect of the marketing and labeling of our products and services. We have attained the ISO9001 2008 quality management verification and we comply with confidentiality agreements and personal data protection laws when it comes to the privacy of our customers. To ensure consumer rights, we have a customer service unit in place and an outlet for stakeholders to make complaints.	

Promotion item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Summary	
(VI) Has the company established the supplier management policy to require the supplier to comply with relevant regulations on issues of environmental protection, occupational safety and health or labor rights and provide its status of implementation?	V		(VI) The Company has formulated the “Supplier Management Rules” and contracts with our suppliers that include regulations related to environmental protection, intellectual property rights and integrity provisions to protect the rights and interests of all stakeholders. Moreover, there is also the “Supplier Evaluation Survey” formulated demanding our suppliers to abide by rules on environmental protection, occupational safety and health or labor rights issues. At the same time, we continue to keep sound and interactive contact with our suppliers in order to maintain the partnership to achieve mutual benefit. In addition, we regularly promote to our internal employees and our subsidiaries, as well as customers, suppliers and contractors, hoping that the supply chain manufacturers agree with the Company on the CSR policy and are willing to comply with related operations. The Company evaluates the impact of procurement and manufacturing practices on environment and society of the supply source community while strengthening the partnership between supply chain manufacturers to jointly make an effort to enhance CSR.	
V. Has the company taken reference from the internationally accepted reporting standards or guidance when preparing sustainability reports to disclose non-financial information? Has the report mentioned above been assured, verified, or certified by a third party?		V	Our practices towards sustainability are handled in accordance with the regulations of the competent authorities and related laws. The Company has also set up a section dedicated to CSR on its website and a 2023 Sustainability Report will be prepared in accordance with laws and regulations. Moreover, information regarding the actual operation	Our Sustainability Report is being planned and will be prepared in accordance with laws and regulations.

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<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>of CSR is disclosed on the Company’s website and MOPS.</td><td></td></tr>
<tr><td>VI. If the company has established its own Sustainable Development Best Practice Principles based on the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancies between the principles and their implementation: None.</td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="5">VII. Other important information to facilitate better understanding of the company’s practices toward the promotion of sustainable development implementation:
(I) Sustainable management: We set high ethical standards for ourselves alongside the Company’s management philosophy “ethical management and compassionate service”, and adhere to the labor and retirement laws and regulations of the government and competent authorities. Our employees all sign an “Integrity Commitment” and comply with the principles of integrity, confidentiality obligations and avoid conflict of interest. Our employees perform corporate activities upholding the concept of “prosperous company and happy employees” to fulfill CSR.
(II) Human capital: KENMEC provides a motivating reward system, performance bonus, year-end bonus, comprehensive and open promotion channel; provides employees with a healthy and safe workplace with a breastfeeding room in place; plans annual health examinations, health education consultation and labor safety and health management to prevent occupational disasters and diseases; and organizes all-inclusive employee activities, such as departmental dinners, year-end meals, domestic and overseas employee trips, birthday parties, and special store discounts.
(III) Environmental management: We conduct maintenance on water, electricity and air-conditioning equipment each year to save energy and reduce carbon emissions so that they stay on top form. At each plant, we promote environmental operation such as garbage classification, food waste recycling and recycling of waste scraps, and have installed a solar power system on the roof or ground to cut down power consumption. We do our utmost to implement environmental protection policies while at the same time raising employees’ environmental awareness.
(IV) Social contribution: We have been taking a proactive approach on social contributions since 2013. Each year, we take part in the donation and sponsorship event held by annual – “Warmth for Love.” We strive to make an effort in helping disadvantaged people through media and our corporate influence. At the plant at Ruifang Industrial Park, we have also adopted the maintenance of trees, and give priority to purchasing products from public welfare organizations for the three major festival gifts and birthday cards for employees in order to show support to charities. In 2022, the Company spent NTD 1,108,000 on products purchased from social enterprises; in 2021, the Company spent NTD 442,000 on products purchased from social enterprises. As we care for the health of people, we support the Foundation for Women’s Health and Urogynecology of Taiwan. We are regularly involved in an array of public welfare activities, including participation in blood donation organized by the Taipei Blood Center. In 2022, we donated 164 bags of blood; in 2021, we donated 89 bags of blood. We invite students such as those from National Keelung Commercial & Industrial Vocational Senior High School on a regular basis to visit the Company. In doing so, we work with schools to cultivate talented students for society. We support learning programs in remote areas, such as donating books to Yu Da University of Science and Technology to achieve the effect of wisdom circulation, love and sharing. Meanwhile, we also make an effort to invest in the sustainable development of local arts creation. We provide a number of jobs to the physically and mentally challenged in an effort to protect and promote their employment opportunities. We also offer assistance in their employment so that they are able to support themselves in carrying out tasks. The implementation has been outstanding, and the Company has been given an excellent image honor by the Ministry of Interior.
(V) Supply chain management:
Internally: We arrange a labor–management meeting on a quarterly basis and performance appraisal interviews every six months for supervisors to review work performance and communicate with employees regarding work issues. By doing so, we establish communication channels for our employees and at the same time we also encourage our employees to directly talk to management.</td></tr>
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Promotion item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Summary	
Externally: Sufficient business and financial information is disclosed on the Company website and MOPS for investors or stakeholders. (VI) Product features: Through our green manufacturing capabilities, we are engaged in green product manufacturing. We install solar power systems on roofs of office buildings and plants, public agencies, schools, outlying islands and residential homes as well as developing streetlight integrated solar power systems. We care very much about environmental protection and are doing what we can to save energy and reduce carbon, steadily creating value.				

Note 1: If "Yes" is selected for the implementation, please explain the key policies, strategies and measures taken and their implementation; if "No" is selected for the implementation, please explain the difference and reason in the "Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof" column, and explain any policy, strategy and measure planned for the future.

Note 2: "Materiality principle" refers to environmental, social and corporate governance issues that are of material impact to the Company's investors and stakeholders.

(VI) Implementation of ethical corporate management and deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof

Item	State of operation			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
I. Enactment of ethical corporate management policy and program				
(I) Has the company established an ethical corporate management policy that was passed by its Board of Directors, and clearly specified in its rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and senior management on rigorous and thorough implementation of such policies and methods?	V		(I) Ethical corporate management has always been the most crucial management philosophy of our Company. As we have formulated the "Code of Conduct for Employees", we strictly require each and every one of our employees to exercise the Code. The annual report discloses the Company's ethical corporate management policy as well as the commitment of the Board of Directors and management to implement the Code. In 2022, we organized internal and external education training courses in relation to ethical corporate management issues (ethical corporate management statutory compliance, accounting system and internal control system courses); a total of 173 people participated, totaling 382 hours.	No deviation
(II) Does the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly with the inclusion of the prevention measures against each behavior specified in Article 7 Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"?	V		(II) In an effort to prevent dishonest acts, the Company has the "Rules for Handling Cases of Reporting Illegal and Unethical or Dishonest Conducts" in an effort to prevent dishonest conduct. We also require our employees to promise that they will not have conflicts of interest or ethical concerns when conducting their duties. Through the Company's internal control, we carry out regular analysis to evaluate business activities containing higher unethical act risks to facilitate the prevention of unethical and illegal conduct.	No deviation

Item	State of operation			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(III) Does the Company specify the operating procedures, behavior guidelines, discipline of violation and complaint system in the prevention program for unethical conduct, and implement the program accordingly? Does the Company regularly review and modify the program mentioned above?	V		(III) As a means to promote and facilitate ethical conduct, we organize education and training courses; in 2022, we put together internal and external education training courses in relation to ethical corporate management issues (ethical corporate management statutory compliance, accounting system and internal control system courses); a total of 173 people participated, totaling 382 hours. In doing this, we enable our employees to understand the determination of the Company regarding ethical corporate management, solutions for preventive practices and the consequences of unethical conduct.	No deviation
II. Implementation of ethical business (I) Does the company have the integrity record of the trading counterparty assessed and the clauses of ethical conduct expressed in the contract signed between them?	V		(I) The Company asks our stakeholders who have business dealings with the Company to abide by our ethical standards and we promote the aspect of our ethical corporate management on a regular basis to prevent the occurrence of unethical conduct.	No deviation
(II) Does the Company establish a specific unit for the board of directors to promote corporate ethical business and regularly (at least once a year) report the ethical corporate management policy, prevention program of unethical conduct and implementation status of supervision to the board of directors?		V	(II) The Company has not yet set up a dedicated CSR unit; however, each department is responsible for fulfilling CSR in accordance with the scope of their duties. Each year, the internal audit unit reports the prevention of unethical conduct plan to the Board of Directors based on the risk assessment and monitors the implementation.	The Company has not yet set up a dedicated CSR unit. In the future, it shall be handled according to the Company's development and legal needs.
(III) Has the company formulated a conflict of interest prevention policy, provided appropriate reporting channels, and implemented it?	V		(III) When a new employee signs the labor contract, we ask them to make a commitment that they will not be involved in any illegal business conduct. There are also "Rules for Handling Cases of Reporting Illegal and Unethical or Dishonest Conducts" in place for employees to make complaints.	No deviation

Item	State of operation			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(IV) Does the Company establish an effective accounting system and internal control system to implement ethical business and draft relevant audit plans by the internal audit unit based on the risk assessment results of the unethical conduct? Is the compliance of the prevention program for unethical conduct audited accordingly by the audit office or committed accountants? (V) Does the company organize regular internal and external education and training for corporate ethical corporate management?	V V		(IV) The Company has established an accounting system and internal control system as required by law. Internal audits are thoroughly implemented in accordance with the audit plan prepared based on the risk assessment. The internal audit is submitted to the meeting of the Board of Directors. (V) The Company has formulated the "Integrity and Confidentiality Policy" and has built integrity into its corporate culture, which is promoted from time to time in all meetings for implementation.	
III. The operation of reporting system (I) Has the company established reporting and reward systems, convenient reporting channels and had a representative assigned to handle such issues? (II) Has the company implemented any standard procedures and/or subsequent measures after carrying out an investigation or confidentiality measures for handling reported misconduct? (III) Has the company adopted measures for protecting whistle-blowers from inappropriate disciplinary actions due to whistle-blowing?	 V V V		(I) The Company has set up and publicly announced its independent reporting mailbox and hotline for use by internal and external personnel. The audit unit is designated as the main authority for handling related matters. (II) In the event of an integrity violation, the Company convenes a material disciplinary committee made up of senior executives from across departments to review the matter. If the integrity violation is significant, the Company will report the matter to the Board of Directors' meeting in accordance with related laws and operating procedures, while enforcing related the confidentiality mechanism. (III) Our whistle-blowing process is strictly confidential, and no disciplinary action will be taken against the whistle-blower.	No deviation
IV. Enhancing Information Disclosure Does the company have the contents of the Ethical Corporate Management Best Practice Principles and its implementation disclosed on the website and MOPS?	V		The Company has set up a company website to disclose the Company's profile, and basic and financial information. The Company's ethical corporate management rules and its implementation effectiveness are also disclosed on the MOPS in a timely, open and transparent manner on a regular basis.	No deviation

Item	State of operation			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
V. For companies who have established Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", please describe the current practice and any deviations from the code of conduct: The Company has not formulated the Ethical Corporate Management Best Practice Principles.				
VI. Other material information that helps understand the practice of ethical corporate management of the company (e.g.. the company's determination regarding ethical corporate management, policies and invitations to business partners to participate in education and training, review of the company's code of ethical corporate management practices): None.				

(VII)For companies that have the Corporate Governance rules and relevant regulations stipulated, the inquiry method of the Corporate Governance rules and relevant regulations shall be disclosed

The Company has not formulated a code of corporate governance and related regulations.

(VIII)Other significant information that will provide a better understanding of the state of the Company's implementation of corporate governance

The Company has formulated internal operating procedures for handling material information, which are disclosed on the Company's intranet site.

(IX) Implementation of the internal control system

(1) Statement on Internal Control System: Please refer to p. 377.
(2) If an accountant is entrusted to perform a special audit on the internal control system, the audit report shall be disclosed: N/A.

(X) List of discipline, significant deficit and improvement status of violation of internal control system in most recent year and as of the publication date of the annual report

None.

(XI) Material resolutions of a shareholders' meeting or a Board of Directors' meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

1. The Company's 2022 Annual General Meeting was held on June 24, 2022. Resolutions made by the shareholders present at the meeting and the status of implementation are as follows:

Item	Resolutions made by shareholders' meeting	Implementation status
1	Passed the motion for 2021 business report and financial statements.	The resolution was passed and implemented.
2	Passed the motion for 2021 earnings distribution.	There are no proposals for earnings distribution as we suffered losses in 2021.
3	Distribution of shareholder dividends from capital reserves.	July 18, 2022 was set as the ex-dividend date and August 2, 2022 the distribution date (at NTD 1.613 cash dividend per share). The implementation was completed.
4	Motion for amendments to the Company's "Articles of Incorporation."	It was passed by resolution and has been handled in accordance with the established procedures.
5	Amendment of the "Rules of Procedure for Shareholders' Meeting."	It was passed by resolution and has been handled in accordance with the established procedures.

6	Motion for amendment to the Company's "Operating Procedures of Acquisition or Disposal of Assets."	It was passed by resolution and has been handled in accordance with the established procedures.
7	Motion for election of directors (including independent directors); List of directors elected: Ching-Fu Hsieh, Chou-Huang Pai, Yueh-Chen Lin, Legal representative of Shun-Zhong Investment Co., Ltd.: Ming-Kai Hsieh. List of independent directors elected: Yi-Yu Li, Chu-Ju Peng, Chien Chou-Chu	The registration of the lists was approved by the competent authority and announced on the Company's website on August 12, 108.
8	Approved the motion for lifting the restriction for new directors and their representatives from competition.	Approved by resolution.

2. The following is a summary of the significant resolutions made by the Company's Board of Directors from January 1, 2022 to the publication of the annual report:

Year - session and date of meeting	Resolution	Matters stipulated in §14-3 or §14-5 of the Securities and Exchange Act	Opinions of the independent directors and the Company's handling of their opinions	Resolutions made by the Board of Directors or Audit Committee
2022-1 2022/03/18	1.Motion for the acknowledgment of the Company's 2021 business report, financial statements and consolidated financial statements.	V	None	Resolved and passed by directors present at the board meeting
	2.Discussion on the motion for the distribution of the Company's 2021 remuneration to employees and directors.		None	Resolved and passed by directors present at the board meeting
	3.Motion for the Company's 2021 earnings distribution; please review.		None	Resolved and passed by directors present at the board meeting
	4.Motion for the intention to distribute shareholders' bonuses from capital surplus; please review.		None	Resolved and passed by directors present at the board meeting
	5.Motion for the issuance of the Company's 2021 internal control system declaration.	V	None	Resolved and passed by directors present at the board meeting
	6.Motion for the appointment of the Company's CPAs and the evaluation of their independence.	V	None	Resolved and passed by directors present at the board meeting
	7.Passed the Company's 2022 budget.		None	Resolved and passed by directors present at the board meeting
	8.Motion to pursue the case of endorsement and guarantee of NTD 100,000,000 to Mega International Commercial Bank by Kentec Inc.	V	None	Resolved and passed by directors present at the board meeting
	9.Motion for the proposed loaning of funds of RMB 20 million to the Company's subsidiary – KENMEC AUTOMATION ENGINEERING (KUNSHAN).	V	None	Resolved and passed by directors present at the board meeting
	10.Motion for loaning of funds of USD 4 million and RMB 10 million to the Company's subsidiary, KENMEC Mecha-Tronics (Suzhou) Co., Ltd.	V	None	Resolved and passed by directors present at the board meeting
	11.Motion for the proposed loaning of funds of USD 3 million to the subsidiary VIETNERGY COMPANY LIMITED.	V	None	Resolved and passed by directors present at the board meeting
	12.Date, time, location and motions the		None	Resolved and passed by

Year - session and date of meeting	Resolution	Matters stipulated in §14-3 or §14-5 of the Securities and Exchange Act	Opinions of the independent directors and the Company's handling of their opinions	Resolutions made by the Board of Directors or Audit Committee
	convening the Company's 2022 Annual General Meeting.			directors present at the board meeting
	13.Motion for the full re-election of the Company's directors		None	Resolved and passed by directors present at the board meeting
	14.Motion for lifting the restriction for new directors and their representatives from competition.		None	Resolved and passed by directors present at the board meeting
	15.Amendment of the "Articles of Incorporation."		None	Resolved and passed by directors present at the board meeting
	16.Motion for amendment to the Company's "Operating Procedures of Acquisition or Disposal of Assets."		None	Resolved and passed by directors present at the board meeting
	17.Amendment of the "Rules of Procedure for Shareholders' Meeting."		None	Resolved and passed by directors present at the board meeting
	18.Motion for the proposed buyback of the Company's shares		None	Resolved and passed by directors present at the board meeting
	19.Motion to issue the Board of Directors' statement.		None	Resolved and passed by directors present at the board meeting
	20.Motion to establish the Company's "Measures Governing the Transferring of Treasury Stock to Employees"		None	Resolved and passed by directors present at the board meeting
2022-2 2022/05/06	1.Ratification of the motion for the Company's consolidated financial statements for Q1 2022.	V	None	Resolved and passed by directors present at the board meeting
	2.Motion for the proposed loaning of funds of USD 2 million and RMB 20 million to the Company's subsidiary – KENMEC Mecha-Tronics (Suzhou) Co., Ltd.	V	None	Resolved and passed by directors present at the board meeting
	3.Motion for the proposed loaning of funds of RMB 150 million to the Company's subsidiary – KENMEC AUTOMATION ENGINEERING (KUNSHAN).	V	None	Resolved and passed by directors present at the board meeting
	4.Motion to revise the provisions of the previous application of treasury stock transfer to employees.		None	Resolved and passed by directors present at the board meeting
	5.Motion for amendment to the Company's "Operating Procedures of Acquisition or Disposal of Assets."	V	None	Resolved and passed by directors present at the board meeting
	6.Motion for review of qualifications of director (including independent director) candidates.		None	Resolved and passed by directors present at the board meeting
	7.To set the Company's GHG inventory and verification schedules.		None	Resolved and passed by directors present at the board meeting
2022-3 2022/07/04	1.Motion for the Company to abandon the subscription of the cash capital increase of subsidiary – TAISIC MATERIALS CO. in 2022.	V	None	Resolved and passed by directors present at the board meeting
	2.Motion for the proposed loaning of funds of RMB 20 million to the Company's	V	None	Resolved and passed by directors present at the

Year - session and date of meeting	Resolution	Matters stipulated in §14-3 or §14-5 of the Securities and Exchange Act	Opinions of the independent directors and the Company's handling of their opinions	Resolutions made by the Board of Directors or Audit Committee
	subsidiary – KENMEC Mecha-Tronics (Suzhou) Co., Ltd.			board meeting
	3.Review the motion of the Company's treasury stock transfer to employees.		None	Resolved and passed by directors present at the board meeting
2022-4 2022/08/05	1.Ratification of the motion for the Company's consolidated financial statements for Q2 2022.	V	None	Resolved and passed by directors present at the board meeting
	2.Motion for the proposed loaning of funds of USD 4,000,000 to the Company's subsidiary – KENMEC Mecha-Tronics (Suzhou) Co., Ltd.	V	None	Resolved and passed by directors present at the board meeting
	3.Motion for the proposed cancellation of the remaining balance of NTD 20 million to subsidiary – Kentec Inc.	V	None	Resolved and passed by directors present at the board meeting
	4.Motion for the proposed cancellation of endorsement/guarantee of USD 1 million to subsidiary – KENMEC Mecha-Tronics (Suzhou) Co., Ltd.	V	None	Resolved and passed by directors present at the board meeting
2022-5 2022/11/04	1.Ratification of the motion for the Company's consolidated financial statements for Q3 2022.	V	None	Resolved and passed by directors present at the board meeting
	2.Motion for the 2023 audit plan.		None	Resolved and passed by directors present at the board meeting
	3.Motion for the proposed loaning of funds of RMB 30 million to the Company's subsidiary – KENMEC Mecha-Tronics (Suzhou) Co., Ltd.	V	None	Resolved and passed by directors present at the board meeting
	4.Motion for amendments to the Company's "Procedures for Handling Material Inside Information."		None	Resolved and passed by directors present at the board meeting
	5.Motion for the amendments to the Company's "Rules of Procedure for Board of Directors Meeting."		None	Resolved and passed by directors present at the board meeting
	6.Motion for amendments to the Company's "Procedures of Acquisition or Disposal of Assets."		None	Resolved and passed by directors present at the board meeting
	7.Motion for amendment to the Company's "Operating Procedures of Acquisition or Disposal of Assets."		None	Resolved and passed by directors present at the board meeting
	8.Motion for subsidiary – ENMEC TECHNOLOGY (SUZHOU) CO., LTD. to participate in the investment in a new company.	V		Resolved and passed by directors present at the board meeting
2023-1 2023/03/10	1.Motion for the acknowledgment of the Company's 2022 business report, financial statements and consolidated financial statements.	V	None	Resolved and passed by directors present at the board meeting
	2.Discussion on the motion for the distribution of the Company's 2022 remuneration to employees and directors.		None	Resolved and passed by directors present at the board meeting
	3.Motion for the Company's 2022 earnings distribution; please review.		None	Resolved and passed by directors present at the board meeting

Year - session and date of meeting	Resolution	Matters stipulated in §14-3 or §14-5 of the Securities and Exchange Act	Opinions of the independent directors and the Company's handling of their opinions	Resolutions made by the Board of Directors or Audit Committee
	4.Motion for the issuance of the Company's 2022 internal control system declaration.	V	None	Resolved and passed by directors present at the board meeting
	5.Motion for the appointment of the Company's CPAs and the evaluation of their independence.	V	None	Resolved and passed by directors present at the board meeting
	6.Passed the Company's 2023 budget.		None	Resolved and passed by directors present at the board meeting
	7.Motion for the proposed loaning of funds of RMB 60 million to the Company's subsidiary – KENMEC Mecha-Tronics (Suzhou) Co., Ltd.	V	None	Resolved and passed by directors present at the board meeting
	8.Motion for the cancellation of the proposed loaning of remaining funds of USD 2 million to subsidiary – KENMEC Mecha-Tronics (Suzhou) Co., Ltd.	V	None	Resolved and passed by directors present at the board meeting
	9.Motion for the recognition of 2022 related parties, specific companies and enterprise groups.		None	Resolved and passed by directors present at the board meeting
	10.Amendment of the "Articles of Incorporation."		None	Resolved and passed by directors present at the board meeting
	11.Date, time, location and motions for the convening the Company's 2023 Annual General Meeting.		None	Resolved and passed by directors present at the board meeting
	12.To set the Group's (including subsidiaries) GHG inventory and verification schedules.		None	Resolved and passed by directors present at the board meeting
	13.Motion for amendments to some provisions of the Company's "Procedures for Management of Insider Trading Prevention."		None	Resolved and passed by directors present at the board meeting
	14.Motion for amendments to some provisions of the Company's "Standard Operating Procedures for Handling Requests of Directors."		None	Resolved and passed by directors present at the board meeting
	15.Motion for establishment of the Company's "Corporate Governance Best Practice Principles."		None	Resolved and passed by directors present at the board meeting
	16.Motion to formulate the Company's "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct."		None	Resolved and passed by directors present at the board meeting
	17.Motion to formulate the Company's "Codes of Ethical Conduct."		None	Resolved and passed by directors present at the board meeting
	18.Motion for establishment of the Company's "Sustainable Development Best Practice Principles."		None	Resolved and passed by directors present at the board meeting
2023-2 2023/04/07	1.Motion for the Company to acquire land and building in Pingzhen District, Taoyuan City	V	None	Resolved and passed by directors present at the board meeting

(XII) Any other documented objections or qualified opinions raised by directors or supervisors against board resolutions in relation to matters, and their content in most recent year and as of the publication date of the annual report

None.

(XIII) Resignation or discharge of anyone related to the financial report (including chairman, president and managerial staff of accounting, internal audit, corporate governance and research and development) in the most recent year and as of the printing date of the annual report

None.

IV. Independent Auditor Fee Information

Accounting firm name	Name of CPA		Audit period	Remarks
Deloitte & Touche Taiwan	LI-HUANG LI	PO-JEN WENG	2022.01.01~2022.12.31	None

Note: If the Company has changed the CPAs or the accounting firm this year, please indicate the audit period separately, and explain the reason for the replacement in the Remarks field.

(1) If fees paid to a CPA or CPA firm or its affiliated company for non-audit services account for a proportion equal to one-quarter or more of the fees paid for the audit service, the fee for audit and non-audit services as well as the contents of the non-audit service shall be disclosed:

Information on CPAs' fees

Unit: NTD thousand

Accounting firm name	Name of CPA	Audit period	Audit Fee	Non-audit remuneration	Total	Remarks
Deloitte & Touche Taiwan	LI-HUANG LI PO-JEN WENG	2022.01.01-2022.12.31 2022.01.01-2022.12.31	3,660	534		Tax audit fee: NTD 300 thousand; transfer pricing fee: NTD 200 thousand; foreign company maintenance fee: NTD 34 thousand.

Note 1: If the Company has changed the CPAs or the accounting firm this year, please indicate the audit period separately, and explain the reason for the replacement in the Remarks field and disclose the audit and non-audit profession fees and other information.

Note 2: Please list the service items for non-audit fees. If "other" reaches 25% or more of the total amount of non-audit fees, its content of service shall be disclosed in the Remarks field.

(2) Audit fee for the change of accounting firms paid in the year is less than the previous year, the decreased amount, percentage and reason of the audit fee shall be disclosed: None.

(3) Over 10% decrease in audit fee on a year-to-year basis, the decreased amount, percentage and reason of the audit fee shall be disclosed: None.

V. Information on Replacement of CPA:

None.

VI. Where the company's chairman, president, or any manager in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed.

None.

VII. Changes in shareholding and shares pledged by directors, supervisors, managers and shareholders with 10% shareholdings or more in most recent year and as of the publication date of the annual report

Title	Name	2022		By March 31 of 2023	
		No. of increase (decrease) of shares held	No. of increase (decrease) of shares pledged	No. of increase (decrease) of shares held	No. of increase (decrease) of shares pledged
Chairman and President	CHING-FU HSIEH	164,000	None	None	None
Director and Special Assistant, Chairman's Office	CHOU-HUANG PAI	38,000	None	None	None
Director and President, Operations Management Center	YUEH-CHEN LIN	36,000	None	None	None
Director and CEO, Automation Business Group	MING-KAI HSIEH	38,000	None	None	None
Independent director	CHEN-TAI HSIAO	None	None	-	-
Independent director	FU-HSIUNG CHENG	None	None	-	-
Independent director	YI-YU LI	None	None	None	None
Independent director	CHU-JU PENG	None	None	None	None
Independent director	CHIEN-CHOU CHU	None	None	None	None
Corporate director	Shun-Zhong Investment Co., Ltd.	None	None	None	None
President, Heat Conduction Department	MAO-CHIN CHEN	(5,000)	None	-	-
Vice President, Management Center	LI-CHUAN SHEN	38,000	None	None	None
President of Automation Business Group	CHIH-CHUN KE	40,000	None	None	None
Vice President, Automation Business Group	LIEN-YUAN WENG	38,000	None	None	None
Executive Vice President, Automation Business Group	MING-CHIH HSIEH	32,000	None	None	None
Vice President, Heat Conduction Department	JUNG-CHENG TSAO	None	None	-	-
Vice president of the Chairman Office	HSIU-FEN CHIEN	None	None	-	-
Assistant Manager, Department of Finance	CHIN-I LAI	30,000	None	None	None

(1) MAO-CHIN CHEN retired on March 16, 2022; JUNG-CHENG TSAO left the Company on March 18, 2022; HSIU-FEN CHIEN left the Company on June 30, 2022.
(2) New independent directors Yi-Yu Li and Chu-Ju Peng were elected on June 24, 2022 at the shareholders' meeting. The former independent directors Cheng-Tai Hsiung and Fu-Hsiung Cheng stepped down.
(3) Information on directors, managers and major shareholders during the transfer of shares in which the counterparty is a related party: None.
(4) Information on directors, managers and major shareholders during the pledge of shares in which the counterparty is a related party: None.

VIII. Shareholding percentage to 10 largest shareholders who are also related parties of each other

April 30, 2023 (Note)

Name (Note 1)	Shares held by the shareholder		Shareholdings of spouse and underage children		Total shares held in the names of others (Note 2)		Names and relationship of top 10 shareholders who are related parties, spouses or within second-degree of kinship to each other under Statements of Financial Accounting Standards – 6 (Note 3)		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)	Relationship	
Wei-Xin Investment Co., Ltd., Preparatory Office	20,000,000	8.03			20,000,000	8.03	None	None	None
Wei-Xin Investment Co., Ltd., Preparatory Office Representative: CHING-FU HSIEH	14,243,707	5.72	10,217,345	4.10	44,461,052	17.85	CHING-FU HSIEH	Person in charge	None
							YUEH-CHEN LIN	Spouse of the person in charge	
							Shun-Cheng Investment Co., Ltd.	Person in charge	
CHING-FU HSIEH	14,243,707	5.72	10,217,345	4.10	44,461,052	17.85	YUEH-CHEN LIN	Husband-wife	None
							Wei-Xin Investment Co., Ltd., Preparatory Office	Person in charge	
							Shun-Cheng Investment Co., Ltd.	Person in charge	
Zhao Cheng Investment Co., Ltd., Preparatory Office	13,000,000	5.22			13,000,000	5.22	None	None	None
Zhao Cheng Investment Co., Ltd., Preparatory Office Representative: CHOU-HUANG PAI	6,270,086	2.52	1,205,606	0.48	20,475,692	8.22	CHOU-HUANG PAI	Person in charge	None
YUEH-CHEN LIN	10,217,345	4.10	14,243,707	5.72	44,461,052	17.85	CHING-FU HSIEH	Husband-wife	None
							Wei-Xin Investment Co., Ltd., Preparatory Office	Spouse of the person in charge	
							Shun-Cheng Investment Co., Ltd.	Spouse of the person in charge	
Special account held by HSBC in custody of Morgan Stanley International Limited	7,395,000	2.97			7,395,000	2.97	None	None	None
CHOU-HUANG PAI	6,270,086	2.52	1,205,606	0.48	20,475,692	8.22	Zhao Cheng Investment Co., Ltd., Preparatory Office	Person in charge	None
Shun-Cheng Investment Co., Ltd.	4,640,134	1.86			4,640,134	1.86	None	None	None
	14,243,707	5.72	10,217,345	4.10	44,461,052	17.85	CHING-FU HSIEH	Person in charge	None

Name (Note 1)	Shares held by the shareholder		Shareholdings of spouse and underage children		Total shares held in the names of others (Note 2)		Names and relationship of top 10 shareholders who are related parties, spouses or within second-degree of kinship to each other under Statements of Financial Accounting Standards – 6 (Note 3)		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)	Relationship	
Shun-Cheng Investment Co., Ltd. Representative: CHING-FU HSIEH							YUEH-CHEN LIN	Spouse of the person in charge	
							Wei-Xin Investment Co., Ltd., Preparatory Office	Person in charge	
JPMorgan Securities Investment Account held in custody by JPMorgan Chase Bank	2,412,727	0.97			2,412,727	0.97	None	None	None
SHU-HUI HUANG	2,310,000	0.93			2,310,000	0.93	None	None	None
Penn Pension System Investment Account held in custody by HSBC (Taiwan) Bank	2,256,000	0.91			2,256,000	0.91	None	None	None

Note: The Company's most recent suspension of share transfer

Note 1: Shareholders' names are presented separately (for corporate shareholders, the name of the corporate shareholder and its representatives are stated separately), whereas the amount of benefits.

Note 2: The calculation of proportion of shareholding shall be the holding by the person, spouse, and dependents or in the name of a third party separately.

Note 3: The aforementioned shareholders for disclosure shall include institutional shareholders and natural persons, with the relations between the shareholders as required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

IX. Quantity of shareholdings of the same investee by the Company and its directors, supervisors, managerial officers directly or indirectly controlled, and the combined shareholdings

March 31, 2023/Unit: thousand shares; %

Invested enterprise (Note 1)	Invested by the Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises (Note 2)		Aggregate investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
Kenmec International Holding (BVI) Co., Ltd.	38,039	100.00	-	-	38,039	100.00
Ample Assets Holdings Ltd.	-	-	-	-	-	-
Tainergy Tech. Co., Ltd.	61,133	27.17	745	0.33	61,878	27.50
Kentec Inc.	47,252	89.16	276	0.51	47,528	89.67
KENMEC VIETNAM COMPANY LIMITED	3,800	100.00	-	-	3,800	100.00
Hua-Xia Construction Co., Ltd.	3,000	100.00	-	-	3,000	100.00
Chief Global Logistics Co., Ltd.	1,040	52.00	80	4.00	1,120	56.00
Kenmec Communication Holding (BVI) Co., Ltd.	-	-	28,087	100.00	28,087	100.00
TAINERGY TECH HOLDING (SAMOA) CO., LTD.	-	-	-	27.17	-	27.17
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	-	-	-	100.00	-	100.00
KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	-	-	-	90.34	-	90.34
KENMEC TECHNOLOGY (FUQING) CO., LTD.	-	-	-	-	-	-
Tainergy Technology (Kunshan) Co., Ltd.	-	-	-	27.17	-	27.17
Fraternity Trade Development (KunShan) Co., Ltd.	-	-	-	-	-	-
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	-	-	-	100.00	-	100.00
Suzhou Kenmec Property Development Ltd.	-	-	-	76.88	-	76.88
VIETNERGY COMPANY LIMITED	-	-	-	27.17	-	27.17
Kunshan Kunfu Electronic Materials Co., Ltd.	-	-	-	27.17	-	27.17
Star Solar New Energy Co., Ltd.	-	-	500	35.71	500	35.71
TAISIC MATERIALS CO.	4,400	8.80	23,828	47.65	28,228	56.45
Kunshan Jichang Energy Technology Co., Ltd.	-	-	-	27.17	-	27.17
KENTEC ELECTRONICS (SUZHOU) CO., LTD.	-	-	-	38.20	-	38.20

Note 1: Investment accounted for under the equity method.

Note 2: Number of shares held on the date for the most recent suspension of share transfer

Four. Financing Status

I. Capital and shares.

(I) Equity capital sources

Month Year	Issue price	Authorized capital stock		Paid-in capital		Remarks		
		Number of shares (thousand shares)	Amount (NTD thousand)	Number of shares (thousand shares)	Amount (NTD thousand)	Equity capital sources	Offset by any property other than cash	Others
1976.07	-	-	1,000	-	1,000	NTD 1,000 thousand in cash	None	None
1987.03	NTD 10	1	10,000	1,000	10,000	Cash capital increase of NTD 9,000 thousand	None	None
1989.02	NTD 10	5	50,000	5,000	50,000	Cash capital increase of NTD 40,000 thousand	None	None
1995.09	NTD 10	8	80,000	8,000	80,000	Cash capital increase of NTD 30,000 thousand	None	None
1996.08	NTD 10	10	100,000	10,000	100,000	Cash capital increase of NTD 20,000 thousand	None	None
1998.07	NTD 10	19,000	190,000	19,000	190,000	Cash capital increase of NTD 48,740 thousand; consolidated capital increase of NTD 1,260 thousand; capital increase by earnings of NTD 28,000 thousand; capital increase by capital surplus of NTD 12,000 thousand	None	None
1999.08	NTD 10	80,000	800,000	36,000	360,000	Cash capital increase of NTD 113,000 thousand; capital increase by earnings of NTD 57,000 thousand	None	Note 1
2000.09	NTD 10	80,000	800,000	45,000	450,000	Capital increase by earnings of NTD 90,000 thousand	None	Note 2
2001.07	NTD 10	80,000	800,000	49,500	495,000	Capital increase by earnings of NTD 45,000 thousand	None	Note 3
2002.09	NTD 10	80,000	800,000	54,450	544,500	Capital increase by earnings of NTD 49,500 thousand	None	Note 4
2003.04	NTD 10	97,000	970,000	63,414	634,144	Capital increase by earnings of NTD 64,644 thousand Capital increase of NTD 25,000 thousand by converting corporate bonds to common stock	None	Note 5
2003.10	NTD 10	97,000	970,000	74,317	743,165	Capital increase of NTD 109,022 thousand by converting corporate bonds to common stock	None	None
2004.01	NTD 10	97,000	970,000	74,577	745,770	Capital increase of NTD 2,605 thousand by converting corporate bonds to common stock	None	None
2004.09	NTD 10	152,000	1,520,000	78,243	782,427	Capital increase by earnings of NTD 36,657 thousand	None	Note 6
2005.04	NTD 10	152,000	1,520,000	78,311	783,114	Capital increase of NTD 687 thousand by converting corporate bonds to common stock	None	None
2005.07	NTD 10	152,000	1,520,000	78,993	789,927	Capital increase of NTD 6,813 thousand by converting corporate bonds to common stock	None	None
2005.08	NTD 10	152,000	1,520,000	93,993	939,927	Cash capital increase of NTD 150,000 thousand	None	Note 7
2005.08	NTD 10	152,000	1,520,000	97,905	979,048	Capital increase by earnings of NTD 39,121 thousand	None	Note 8
2005.10	NTD 10	152,000	1,520,000	104,802	1,048,017	Capital increase of NTD 68,969 thousand by converting corporate bonds to common stock	None	None
2006.01	NTD 10	152,000	1,520,000	106,458	1,064,575	Capital increase of NTD 16,558 thousand by converting corporate bonds to common stock	None	None
2006.03	NTD 10	152,000	1,520,000	106,756	1,067,562	Capital increase of NTD 2,987 thousand by converting corporate bonds to common stock	None	Note 9

Month Year	Issue price	Authorized capital stock		Paid-in capital		Remarks		
		Number of shares (thousand shares)	Amount (NTD thousand)	Number of shares (thousand shares)	Amount (NTD thousand)	Equity capital sources	Offset by any property other than cash	Others
2006.08	NTD 10	152,000	1,520,000	126,756	1,267,562	Cash capital increase of NTD 200,000 thousand	None	Note 10
2006.09	NTD 10	152,000	1,520,000	138,643	1,386,438	Capital increase by earnings of NTD 118,876 thousand	None	Note 11
2007.06	NTD 10	402,000	4,020,000	146,676	1,466,760	Capital increase by earnings of NTD 80,322 thousand	None	Note 12
2007.10	NTD 10	402,000	4,020,000	146,720	1,467,202	Capital increase of NTD 442 thousand by converting corporate bonds to common stock	None	None
2008.08	NTD 10	402,000	4,020,000	155,416	1,554,162	Capital increase by earnings of NTD 86,960 thousand	None	Note 13
2009.05	NTD 10	402,000	4,020,000	171,264	1,712,637	Capital increase by earnings of NTD 150,616 thousand; capital increase by employee bonuses NTD 7,859 thousand	None	Note 14
2009.09	NTD 10	402,000	4,020,000	172,654	1,726,536	Capital increase of NTD 13,900 thousand by converting corporate bonds to common stock	None	None
2009.12	NTD 10	402,000	4,020,000	175,333	1,753,332	Capital increase of NTD 26,795 thousand by converting corporate bonds to common stock	None	None
2010.01	NTD 10	402,000	4,020,000	205,333	2,053,332	Cash capital increase of NTD 300,000 thousand	None	Note 15
2010.01	NTD 10	402,000	4,020,000	212,171	2,121,710	Capital increase of NTD 68,378 thousand by converting corporate bonds to common stock	None	None
2010.02	NTD 10	402,000	4,020,000	212,183	2,121,826	Capital increase of NTD 116 thousand by converting corporate bonds to common stock	None	None
2010.06	NTD 10	402,000	4,020,000	222,552	2,225,518	Capital increase of NTD 103,691 thousand by converting capital surplus to common stock	None	Note 16
2010.09	NTD 10	402,000	4,020,000	222,805	2,228,052	Capital increase of NTD 2,535 thousand by converting corporate bonds to common stock	None	None
2010.12	NTD 10	402,000	4,020,000	218,005	2,180,052	Capital reduction by treasury stock of NTD 48,000 thousand	None	Note 17
2011.04	NTD 10	402,000	4,020,000	221,526	2,215,257	Capital increase of NTD 35,205 thousand by converting corporate bonds to common stock	None	None
2011.04	NTD 10	402,000	4,020,000	223,535	2,235,349	Capital increase of NTD 20,091 thousand by converting corporate bonds to common stock	None	None
2011.05	NTD 10	402,000	4,020,000	243,535	2,435,349	Cash capital increase of NTD 200,000 thousand	None	Note 18
2011.09	NTD 10	402,000	4,020,000	254,611	2,546,112	Capital increase by earnings of NTD 110,763 thousand	None	Note 19
2012.07	NTD 10	402,000	4,020,000	252,011	2,520,112	Cancellation of treasury stock of NTD 26,000 thousand	None	Note 20
2014.11	NTD 10	402,000	4,020,000	247,011	2,470,112	Cancellation of treasury stock of NTD 50,000 thousand	None	Note 21
2015.02	NTD 10	402,000	4,020,000	254,011	2,540,112	Capital increase by private placement of shares of NTD 7,000 thousand	None	Note 22
2018.10	NTD 10	402,000	4,020,000	249,011	2,490,112	Cancellation of treasury stock of NTD 50,000 thousand	None	Note 23

Note: 1. In August 1999, the cash capital increase was NTD 113,000 thousand and capital increase by earnings was NTD 57,000 thousand, totaling NTD 170,000 thousand, 17,000 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Ministry of Finance with an order Letter Tai-Cai-Zheng(1) No. 57778 dated July 5, 1999.

2. In September 2000, the capital increase by earnings was NTD 90,000 thousand, totaling 9,000 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Ministry of Finance with an order Letter Tai-Cai-Zheng(1) No. 74732 dated September 4, 2000.
3. In July 2001, the capital increase by earnings was NTD 45,000 thousand, totaling 4,500 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Ministry of Finance with an order Letter Tai-Cai-Zheng(1) No. 143497 dated July 9, 2001.
4. In September 2002, the capital increase by earnings was NTD 49,500 thousand, totaling 4,950 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Ministry of Finance with an order Letter Tai-Cai-Zheng(1) No. 0910143083 dated August 1, 2002.
5. In April 2003, the capital increase by earnings was NTD 64,644 thousand, totaling 6,464 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Ministry of Finance with an order Letter Tai-Cai-Zheng(1) No. 0920114592 dated April 28, 2003.
6. In September 2004, the capital increase by earnings was NTD 36,657 thousand, totaling 3,666 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Executive Yuan with an order Letter Zheng-Qi(1) No. 0930129120 dated July 5, 2004.
7. In May 2005, the cash capital increase was NTD 150,000 thousand, totaling 15,000 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Executive Yuan with an order Letter Jing-Guan-Zheng(1) No. 0940116373 dated May 18, 2005.
8. In July 2005, the capital increase by earnings was NTD 39,121 thousand, totaling 3,912 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Executive Yuan with an order Letter Jing-Guan-Zheng(1) No. 0940130324 dated July 26, 2005.
9. The second domestic unsecured convertible bonds issued in 2004 were converted by February 2006.
10. In April 2006, the cash capital increase was NTD 200,000 thousand, totaling 20,000 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Executive Yuan with an order Letter Jing-Guan-Zheng(1) No. 0950112190 dated April 20, 2006.
11. In September 2006, the capital increase by earnings was NTD 118,876 thousand, totaling 11,887 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Executive Yuan with an order Letter Jing-Guan-Zheng(1) No. 0950139751 dated September 5, 2006.
12. In June 2007, the capital increase by earnings was NTD 80,322 thousand, totaling 8,032 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Executive Yuan with an order Letter Jing-Guan-Zheng(1) No. 0960029584 dated July 27, 2007.
13. In August 2008, the capital increase by earnings was NTD 86,960 thousand, totaling 8,696 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Executive Yuan with an order Letter Jing-Guan-Zheng(1) No. 0970024044 dated June 6, 2008.
14. In May 2009, the capital increase by earnings and employee bonuses was NTD 158,475 thousand, totaling 15,848 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Executive Yuan with an order Letter Jing-Guan-Zheng(1) No. 0980019033 dated May 6, 2009.
15. In October 2009, the cash capital increase was NTD 300,000 thousand, totaling 30,000 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Executive Yuan with an order Letter Jing-Guan-Zheng-Fa No. 0980052623 dated October 15, 2009.
16. In June 2010, the capital increase by capital surplus was NTD 103,691 thousand, totaling 10,369 thousand shares. It was approved by the Financial Supervisory Commission,

Securities and Futures Bureau, Executive Yuan with an order Letter Jing-Guan-Zheng(1) No. 0990029714 dated June 9, 2010.

17. In December 2010, the capital reduction by canceling treasury stock was NTD 48,000 thousand, totaling 4,800 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Executive Yuan with an order Letter Jing-Shou-Shang No. 09901276450 dated December 13, 2010.
18. In May 2011, the cash capital increase was NTD 200,000 thousand, totaling 20,000 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Executive Yuan with an order Letter Jing-Guan-Zheng-Fa No. 0990062698 dated November 29, 2010.
19. In September 2011, the capital increase by earnings was NTD 110,763 thousand, totaling 11,076 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Executive Yuan with an order Letter Jing-Guan-Zheng-Fa No. 1000031852 dated July 11, 2011.
20. In July 2012, the cancellation of treasury stock was NTD 26,000 thousand, totaling 2,600 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Executive Yuan with an order Letter Jing-Guan-Zheng-Fa No. 10101145440 dated July 17, 2012.
21. In November 2014, the cancellation of treasury stock was NTD 50,000 thousand, totaling 5,000 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Executive Yuan with an order Letter Jing-Guan-Zheng-Fa No. 10301224200 dated November 3, 2014.
22. In February 2015, the capital increase by private placement of shares was NTD 70,000 thousand, totaling 7,000 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Executive Yuan with an order Letter Jing-Guan-Zheng-Fa No. 10401023660 dated February 11, 2015.
23. In October 2018, the cancellation of treasury stock was NTD 50,000 thousand, totaling 5,000 thousand shares. It was approved by the Financial Supervisory Commission, Securities and Futures Bureau, Executive Yuan with an order Letter Jing-Guan-Zheng-Fa No. 10701128860 dated October 5, 2018.

(II) Types of shares

April 26, 2022; Unit: thousand shares; %

Types of shares	Authorized capital stock			Remarks
	Outstanding shares (Stock of listed companies)	Unissued shares	Total	
Registered stocks	249,011,150	152,988,850	402,000,000	

(III) Composition of shareholders

April 30, 2023 (Note)

Composition of shareholders / Quantity	Government Agency	Financial Institution	Other Corporate Entities	Individuals	Foreign Institutions and Foreigners	Total
Number of Persons	—	—	238	50,773	72	51,083
Number of shares held	—	—	43,756,081	185,441,411	19,813,658	249,011,150
Shareholding percentage	—	—	17.57	74.47	7.96	100.00

Note: The Company’s most recent suspension of share transfer

(IV) Distribution of equity

April 30, 2023 (Note)

Range of Shareholding	Number of Shareholders	Number of shares held	Shareholding ratio
1-999	30,172	1,006,117	0.40
1,000-5,000	15,856	33,177,851	13.32
5,001-10,000	2,653	21,603,270	8.68
10,001-15,000	700	9,062,135	3.64
15,001-20,000	482	9,087,935	3.65
20,001-30,000	438	11,338,115	4.55
30,001-40,000	209	7,577,256	3.04
40,001-50,000	154	7,208,081	2.89
50,001-100,000	234	17,030,292	6.84
100,001-200,000	110	15,433,570	6.20
200,001-400,000	37	10,451,904	4.20
400,001-600,000	11	5,473,145	2.20
600,001-800,000	7	4,875,166	1.96
800,001-1,000,000	4	3,517,000	1.41
1,000,001 shares and above	16	92,169,313	37.02
Total	51,083	249,011,150	100.00

Note: The Company’s most recent suspension of share transfer

(V) List of major shareholders (shareholders holding 5% or more of the shares or names, numbers of shareholding and ratio of the top 10 shareholders)

April 30, 2023 (Note)

Name of major shareholder/shareholding	Number of shareholding	Shareholding percentage (%)
Ching-Fu Hsieh, Representative of Preparatory Office of Wei-Xin Investment Co., Ltd.	20,000,000	8.03
CHING-FU HSIEH	14,243,707	5.72
Ching-Fu Hsieh, Representative of Preparatory Office of Weixin Investment Co., Ltd.	13,000,000	5.22
YUEH-CHEN LIN	10,217,345	4.10
Special account held by HSBC in custody of Morgan Stanley International Limited	7,395,000	2.97
CHOU-HUANG PAI	6,270,086	2.52
Shun-Cheng Investment Co., Ltd.	4,640,134	1.86
JPMorgan Securities Investment Account held in custody by JPMorgan Chase Bank	2,412,727	0.97
SHU-HUI HUANG	2,310,000	0.93
Penn Pension System Investment Account held in custody by HSBC (Taiwan) Bank	2,256,000	0.91

Note: The Company’s most recent suspension of share transfer

(VI) Market price, net value, earnings, and dividends in the most recent two years and information thereof

Unit: NTD

Item			Year 2021	2022	First quarter of 2023 (Note 8)
Market price per share (Note 1)	Highest		31.30	34.00	30.50
	Lowest		19.00	22.00	25.10
	Average		25.58	26.98	27.31
Net value per share (Note 2)	Before distribution		13.61	14.49	13.17
	After distribution		—	—	—
EPS	Weighted average number of shares (thousand shares)		249,011	249,011	249,011
	EPS (Note 3)	Before retrospective adjustment	(1.14)	1.91	0.29
		After retrospective adjustment	—	—	—
Dividends per share	Cash dividend		1.5	1.62	—
	Stock bonus	Dividends from earnings	—	—	—
		Dividends from capital reserve	—	—	—
	Accumulated unpaid dividends (Note 4)		—	—	—
ROI analysis	P/E ratio (Note 5)		(22.44)	14.13	94.17
	P/D ratio (Note 6)		17.05	16.65	—
	Cash dividend yield (%) (Note 7)		5.86	6.00	—

*If there is a surplus or capital reserve to increase capitalization for distributing shares, the market price and cash dividend information adjusted retrospectively based on the number of shares to be issued shall be disclosed.

Note 1: The table lists the highest and lowest market price of common stocks for each year, and the annual average market price was calculated in accordance with the annual trading value and volume of each year.

Note 2: Please fill in the number of shares issued at the end of the year and the distribution according to the resolution by the Board of Directors or shareholders' meeting of the following year.

Note 3: If there is a retroactive adjustment from distribution of bonus shares, the pre-adjustment and adjusted surplus per share shall be listed.

Note 4: Dividends that have not been issued in the current year are accrued to the issuer of the annual surplus; the accumulated undistributed dividends of the current year should be disclosed separately.

Note 5: P/E ratio = Average closing price per share in current year/earnings per share

Note 6: P/D ratio = Average closing price per share in current year/cash dividend per share

Note 7: Cash dividend yield = Cash dividend per share/average closing price per share in current year

Note 8: The data of net worth per share and earnings per share shall be based on the most recent quarter numbers audited by CPAs as of the printed date of the annual report; the remaining columns shall fill in the current year's data as of the publication date of the annual report.

Note 9: Please fill in the distribution according to the resolution of the shareholders' meeting of next year.

(VII)The Company's dividend policy and implementation status

1. The dividend policy stipulated in the Company's Articles of Incorporation:

The Company's business is currently in the stage of operational growth, requiring profits to be retained as funding necessary for operational growth and investments. Therefore, the Company currently adopts a "balance as dividend" policy, giving consideration to the distribution of a balanced dividend equaling at least 50% of the annual net profits after tax. The Board of Directors may, however, submit a proposal for distribution to the shareholders' meeting for decision after taking into account the actual funding situation of the Company.

Earnings may be distributed in the form of a combination of cash and stock dividends, provided that cash dividend is at least 20% of the total dividend. The shareholders' meeting may, however, make adjustment thereto based on future funding plans.

2. Proposed dividend distribution for the year:

Unit: NTD

Item	Amount
Undistributed earnings at the beginning of the period	153,847,965
Less: Retroactive adjustments under IAS16	(4,373.400)
Less: Adjustment to retained earnings in relation to equity-accounted investments	(247,923)
Less: Adjustment to retained earnings in relation to equity-accounted investments	(810,312)
Add: Retained earnings adjusted by investment accounted for using the equity method	2,603,077
Add: Remeasurement of defined benefit plans recognized as retained profits	12,870,429
Undistributed earnings after adjustment	163,889,836
Add: Net income (loss) after tax for the period	470,073,954
Less: Profits set aside as legal reserves (10%)	(48,011,583)
Add: Reversal of special reserves	22,024,768
Distributable earnings for the current period	607,976,975
Distribution of earnings for the current period:	
Shareholder bonus – cash	(410,884,983)
Total amount distributed	(410,884,983)
Undistributed earnings at the end of the period	206,091,992
Notes: NTD 37,262,275 allocated as remuneration to employees NTD 7,656,632 allocated as remuneration to directors and supervisors Distributed in the form of cash.	

(VIII)Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: There is no stock dividend distribution for the year.

(IX) Employee remuneration to directors, and supervisors

1. The percentage or scope of employee remuneration to directors and supervisors as set forth in the Articles of Incorporation:

   If there is a profit for the year, the Company shall first pay taxes and cover previous losses, then set aside 10% as the legal reserve. As required by the law or competent authorities, a special reserve shall also be set aside. The remaining profit and the "adjustment for the undistributed earnings for the year" is then used for earnings distribution which is proposed by the Board of Directors and recognized by the shareholders' meeting. Among the earnings, 5%–15% is allocated as remuneration to employees, whereas remuneration to directors and supervisors is allocated at 1%–3% of the current year's pre-tax net income. Also, employees who are entitled to receive the Company's stock must be the Company's employees who meet certain criteria.

2. The accounting of the difference between the estimates of remuneration to employees, directors and supervisors, the basis for the calculation of outstanding shares for dividend payment and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure:

   (1) The accounting of the difference for the period between the estimates of remuneration to employees, directors and supervisors:

   The motion for the 2022 earnings distribution was resolved by the Board of Directors' meeting held on March 10, 2023, pending resolution at the shareholders' meeting. According to Article 20 of the "Articles of Incorporation", 5%–15% of the Company's annual net profits before tax, if any, shall be appropriated as employee remuneration, and 1%–3% of the said profits shall be appropriated as directors' remuneration.

   The performance evaluation of the remuneration to directors includes participation in the operation of the Company, improvement of the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the directors, and internal control.

   The Company's remuneration to managers includes salary and bonus. Salary of the Company's managers is determined with reference to industry standards, as well as their job position, rank, education and experience, professional skills and responsibilities; while the bonus of managers takes into account the manager's performance evaluation, which includes financial indicators (e.g., the achievement rate of company revenue, profit before tax and profit after tax) as well as non-financial indicators (other special contribution, significant negative events, whether they continue to take on further education and learn knew knowledge as required by law, etc.), and is determined based on the operational performance in accordance with the allocation principle recommended by the Remuneration Committee.

   (2) Accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure:

   If there is any change in the amount on the date of resolution made by the shareholders' meeting, the changed amount shall be treated as a change in accounting estimates and accounted for in the year of resolution made by the shareholders' meeting. If there is still a change in the amount, it is adjusted into the accounts on the shareholders' meeting the following year. If remuneration is resolved to be distributed to employees in shares, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the shareholders' meeting. In 2022, the remuneration distribution of the

Company's annual profit is determined with reference to the office term of the directors, the number of times directors attend board meetings, and their contribution to the Company (including, but not limited to, the number of the Company's shares held and provision of endorsement/guarantee for the Company).

3. Information on distribution of the employee remuneration approved by the Board of Directors:
   (1) Proposed employee remuneration distribution in cash and shares, and remuneration to directors and supervisors approved by the Board of Directors:
   For the motion of the 2022 earnings distribution passed by resolution by the Board of Directors on March 10, 2023 – NTD 37,262,275 was allocated as remuneration to employees; NTD 7,656,632 was allocated as remuneration to directors, distributed in the form of cash.
   (2) The amount of employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration: None.
   (3) Assumed earnings per share after considering the remuneration to employees, directors and supervisors: It does not affect earnings per share as remuneration to employees and directors is distributed in cash.

4. The actual distribution of employee, director, and supervisor remuneration for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor remuneration, additionally the discrepancy, cause, and how it is treated: None.

(X) Status of the Company repurchasing its own shares: (completed)

Repurchase period	13th time (period)	14th time (period)
Repurchase purpose	To transfer them to the employee	To transfer them to the employee
Repurchase period	2019/5/9~2019/7/8	2019/9/10~2019/11/8
Repurchase range price	10~20	12~23
Type and number of shares already repurchased	2,823,000 common shares	2,000,000 common shares
Amount of repurchased shares	$39,920,557	$31,112,523
Ratio of the number of shares repurchased to estimated number of shares (%)	94.10%	100%
Number of shares canceled and transferred	2,823,000	2,000,000
Cumulative number of the Company's shares	0	0
Cumulative number of the Company's shares to the total number of shares issued (%)	0%	0%

Note: Disclosure of the most recent fiscal year up to the date of publication of the annual report.

Repurchase period	15th time (period)	16th time (period)
Repurchase purpose	To transfer them to the employee	To transfer them to the employee
Repurchase period	2020/3/24~2020/5/5	2021/1/27~2021/3/5
Repurchase range price	10~20	20~30
Type and number of shares already repurchased	1,000,000 common shares	2,000,000 common shares
Amount of repurchased shares	$14,768,232	$49,596,440
Ratio of the number of shares repurchased to estimated number of shares (%)	50%	100%
Number of shares canceled and transferred	1,000,000	0
Cumulative number of the Company's shares	0	2,000,000
Cumulative number of the Company's shares to the total number of shares issued (%)	0%	0.8%

Repurchase period	17th time (period)
Repurchase purpose	To transfer them to the employee
Repurchase period	2022/3/21~2022/5/19
Repurchase range price	20~30
Type and number of shares already repurchased	2,000,000 common shares
Amount of repurchased shares	$48,066,972
Ratio of the number of shares repurchased to estimated number of shares (%)	100%
Number of shares canceled and transferred	0
Cumulative number of the Company's shares	4,000,000
Cumulative number of the Company's shares to the total number of shares issued (%)	1.61%

Note: Disclosure of the most recent fiscal year up to the date of publication of the annual report.

II. Issuance of corporate bonds

(I) Outstanding corporate bonds and corporate bonds currently in process: None.

(II) If the company issued exchangeable corporate bonds: None.

(III) If the company adopts the shelf registration system for the raising and issue of common corporate bonds: None.

(IV) If the company has already issued corporate bonds with warrants: None.

(V) Status of any private placement of corporate bonds during the three most recent fiscal years up to the publication date of the annual report: None

III. Issuance of preferred stock

None.

IV. Description of the status of participation in the issue and private placement of overseas depositary receipts

None.

V. Issuance of employee stock option certificates

None.

VI. Issuance of restricted stock awards for employees

None.

VII. Issuance of new shares in connection with mergers or acquisitions or with the acquisition of shares of another company

None.

VIII. Implementation of Capital Utilization Plan

None.

Five. Business Operation

I. Business Items

(I) Business scope

1. Main content of the operated businesses:
   - Industrial machinery, steel angle frame, steel structure design, processing, manufacturing and trading.
   - Import and export of machinery and hardware, machinery and electrical equipment.
   - Manufacture and sale of production lines and flexible manufacturing systems for joint production lines and application robots.
   - Manufacture and sale of automatic conveyors, automatic pallet stackers, automatic warehousing equipment, unmanned trucks, and robotic arms.
   - Manufacture, sale, import and export of lifting equipment.
   - Parking lot business.
   - Design, processing, manufacture and trading of parking equipment.
   - Design, planning, manufacturing, processing, trading, construction and maintenance of waste treatment equipment of incinerators.
   - Design, planning, manufacturing, processing, trading, installation and maintenance of water treatment and water pollution control equipment.
   - Agent of domestic and foreign manufacturers for the manufacturing, trading and bidding of their products stated above.
   - Data storage and process equipment manufacturing.
   - Cable communication machinery equipment manufacturing.
   - Machinery installation.
   - Computer equipment installation.
   - Telecommunication engineering.
   - Controlled telecommunications radio-frequency devices installation engineering.
   - Information software services.
   - Data processing services.
   - Biotechnology services.
   - Wholesale of clerical machinery equipment.
   - Retail sale of clerical machinery equipment.
   - Wholesale of computer software.
   - Retail sale of computer software.
   - Manufacture export.
   - Electrical, Communication, Audio-visual, Smartphone and Tablet Computer Electronic Products |Manufacturing.
   - Electronics Components Manufacturing.
   - Computer and Laptop Peripheral Manufacturing and Equipment Manufacturing.
   - Retail Sale of Electronic Materials.
   - Electric Appliance and Electronic Products Repair.
   - Design, OEM, Manufacture and Trading of General Electronic Information Products and Circuit Board Surface Adhesion Structures.

- ◆ Smart TV Control Panel Design, Processing, Manufacturing and Trading.
- ◆ Design, Processing, Manufacturing and Trading of unmanned aerial vehicle (UAV).
- ◆ Design, Processing, Manufacturing and Trading of Wearable Electronics.
- ◆ Design, processing, Manufacturing and Trading of Medical Device Modules.
- ◆ Manufacturing and Trading of Automotive Electronics.
- ◆ Manufacturing and Trading of Other Consumer Electronics.
- ◆ Industrial Computer Manufacturing and Network Storage Server Manufacturing.
- ◆ Production/Sales of Standard Graphics Cards, Industrial Touch Panels and Customized Services.
- ◆ Production/Sales of Standard Network Digital Switches and Customized Services.
- ◆ Customized Service and Production of Industrial Control Single-chip Computers.
- ◆ Manufacture of Batteries and Accumulators.
- ◆ Manufacture of Power Generation, Transmission and Distribution Machinery
- ◆ Electronics Components Manufacturing.
- ◆ Energy Technical Services
- ◆ International Trade.
- ◆ Research, Development, Design, Manufacture and Trading of Solar Cells and Related Systems.
- ◆ Research, Development, Design, Manufacture and Trading of Solar Power Modules.
- ◆ Research, Development, Design, Manufacture and Trading of International Trade in Relation to the Aforementioned Products.
- ◆ All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- ◆ Production/Sales and Customized service for Industrial Computer Standard Products.
- ◆ Production/Sales and Customized service for Industrial Touch Panels.
- ◆ Production/Sales of Standard Network Digital Switches and Customized Services.
- ◆ Customized Service and Production of Industrial Control Single-chip Computers.

2. Operating weight

Unit: NTD thousand

Major products	2021 (after restatement)		2022	
	Amount	%	Amount	%
Whole factory automated logistics system	1,531,181	37.90	2,348,852	43.83
Solar cell	1,519,541	37.61	2,193,225	40.92
Automotive electronics	292,146	7.23	172,204	3.21
Building (construction) materials	267,700	6.63	204,182	3.81
Industrial computers	181,386	4.49	261,132	4.87
Electronics parts and components	182,842	4.53	151,510	2.83
Others	64,982	1.61	28,103	0.53
Total	4,039,778	100.00	5,359,208	100.00

3. The Company's products (services)

① Automation products

② OEM parts & components

③ Solar Cells
④ Liquid cooling smart products
⑤ Cold chain logistics equipment

4. New products (services) to be developed
   ① Automation products: Smart manufacturing, smart logistics, vacuum heating equipment and related derivative business opportunities, autonomous mobile robots (AMRs), net zero emission and Combat Information Center systems.
   ② Solar cell products: High efficiency and low-cost solar cells.
   ③ Liquid cooling smart products: Cooling distribution units (CDUs), high efficiency liquid cooling cabinets, immersion cooling systems, liquid cooling formulation water, dielectric fluid, CPU water-cooled panels.

(II) Overview of the industry:

(1) Current situation and development of the industry

1. Automation-related industry

The Company's initial business upon establishment was automation, including whole factory automated logistics system, parking systems and other maintenance services. Thanks to our years of experience in the automation field and the history of the 3rd generation semiconductor SiC industry, the Company entered into the 3rd generation semiconductor SiC business in 2019, and continues to refine its technology.

In recent years, political and economic situations in China have changed dramatically; these changes include: "the continuous environmental protection restrictions result in a reshuffling of some industries," "full investigation of tax evasion of companies and individuals," and "the decrease in demographic dividend leads to an increase in the cost of doing businesses." In the past, China attracted many Taiwanese businessmen due to its low labor cost and the potential of local domestic demand market. With China's increased taxation, social security and other labor costs gradually becoming higher than in Taiwan, business conditions are not as tempting they once claimed to be. Coupled with the U.S.–China trade war and the impact of COVID-19, many Taiwanese-invested companies pulled out from China or have reduced their business scales and returned to Taiwan or Southeast Asian countries for investment.

Before the pandemic outbreak, the U.S.–China trade war and technology war had already led to a situation where the industrial chain broke from these two countries. The COVID-19 outbreak even further caused a pause in the global supply chain logistics, raw material supply and personnel mobility, resulting in a large amount of vulnerability of the global industrial chain in the post-pandemic era. Due to the pandemic, many companies were forced to accelerate the establishment of diversified cross-country and cross-region production bases in a bid to reduce the risk of breaking the supply chain due to over-concentration. These companies at the same time also introduced digital manufacturing in the production layout while setting up cross-region digital platforms in order to strengthen the resilience of industries and supply chains.

In an effort to address the change in industry structure, the global supply chain has become a short supply from a long supply. Customers began to demand local supply in order to reduce the risk of stockpiling. These customers increase the frequency of orders but decrease the number of orders to strengthen their operational flexibility. Such approach has brought a huge impact on the logistics industry. With the aim to satisfy customer needs, logistics sectors must change their previous mindset of centralized management and enhance operational efficiency through different types of smart technologies. By building a new generation of automated logistics warehouse and system, localization, decentralization, and efficiency can be achieved. For example, we can find out the frequency and quantity of customers' orders through AI algorithms. We can reduce the need for personnel and improve the efficiency of logistics dispatch management through warehouse shelf management or introduce mechanisms such as unmanned aerial vehicle (UAV) swarms to precisely dispatch smart logistics.

2. Solar power-related industry

In recent years, countries around the world have successively set carbon neutrality goals. Governments are committed to promoting green energy policies, which has contributed to the rapid growth of the solar energy market as one of the renewable energy sources. The cost of solar energy continuing to optimize has made it more competitive than traditional energy in many regions. This is coupled with the fact that many countries and regions have launched solar development policies and incentives, making things more conducive to the expansion of the global solar market. The demand for new installations is estimated to reach 338GW in 2023, or even 393GW under optimistic scenarios, with an annual growth rate of 22% or more.

A. China's PV market has taken the lead in the global solar energy market share for many years. However, due to the impact of rising product prices caused by a capacity mismatch in various links of the supply chain in 2022, many large-scale power plant projects have been inhibited by high prices. The rush to install ground-mounted projects in China at the end of the year will not be as pronounced as in previous years. Even so, China still had as much as 89GW of installation capacity throughout the year, accounting for almost one-third of the world's total. With the lifting of the pandemic outbreak, and along with a series of incentives and subsidies introduced by the government –such as preferential loans, electricity purchase price subsidies, and tax relief – China's solar energy market is expected to continue to grow in 2023 and is expected to take the lead in the global market again. Market research institutions have estimated that the Chinese market share may be as high as 36%.

B. In 2022, due to the war between Ukraine and Russia and the accompanying energy crisis and soaring energy prices, the installed capacity of renewable energy in Europe grew faster than expected. Among these installations, the growth of solar energy is the most significant, reaching a demand of about 90GW through the year, which is comparable to that of China. The two major markets, Europe and China, have become important pillars for global PV demand. The European Union has set a series of goals requiring member states to increase the proportion of renewable energy to at least 32% by 2030. The German government implemented more stringent emission restrictions in 2022, and other European countries have continued to develop related policies and incentives, which will further promote the development of the solar energy market in Europe. It is worth noting that in the first half of 2022, inventory of solar modules in the European market accumulated due to over-purchasing of solar modules, resulting in a decline in import volume in the second half of the year. Part of the inventory will need to be installed and digested in 2023. However, with strong momentum in Q1 2023 in Europe, it is optimistic to estimate that there is still nearly 30% growth potential for annual demand.

C. The U.S., which has always been a country with a large demand for solar energy, has strong domestic installation demand due to the support of the Build Back Better Act and the Inflation Reduction Act (IRA) in terms of policy. However, in 2022, the Uyghur Human Rights Policy Act that went into effect in June and the U.S. Department of Commerce's anti-circumvention investigation of four Southeast Asian countries throughout the year have affected the import of solar energy products to the U.S., with only about 20GW installed in the year, far below expectations and down from nearly 28GW in 2021. Looking toward 2023, although the trade barriers in the U.S. show no sign of loosening, and there are still obstacles for various PV projects to obtain sufficient solar panels, there is still room for growth in annual installation volume thanks to the release of some new production capacity in the U.S. and the release of a large number of solar products detained for inspection by U.S. Customs. The solar installation volume in the U.S. market is expected to rebound to 27–31GW in 2023.

D. In recent years, India's solar energy market can be described as unfortunate, as it was once one of the world's largest photovoltaic power generation countries. However, India was severely hit by COVID-19 between 2020 and 2022. With a large population, India is relatively backward in infrastructure and sanitation. Therefore, it also suffered a greater impact from the pandemic. Long-term and intermittent lockdowns resulted in the shutdown of the PV manufacturing industry, a stagnant supply chain, and shrinking demand. India's total installed capacity in the past two years was much lower than expected. The Safeguard Duty (SGD) imposed by India on imported PV products expired at the end of July 2021. The Ministry of Industry and Commerce of India also canceled the anti-dumping investigations of solar cells and modules imported from China, Vietnam, and Thailand in November 2022. However, at this stage, the Basic Customs Duty (BCD) tariff is the most important conflict in India's PV development. This policy levies high tariffs of 25% and 40% on imported cells and modules, respectively, resulting in a sharp decrease in India's PV imports. Although this move is in line with the policy direction of the Indian authorities to support the domestic PV industry, it is expected that in the next year or two, the growth of installed capacity in India will be limited due to high costs, and it is estimated at about 10GW.

E. In addition to the demand from the four aforementioned regional markets, the Americas markets, especially Brazil, have surged in the last two years, surpassing even India in terms of solar installation volume and market share. In other places, such as Japan, the Middle East, Southeast Asia, and Africa, the PV industry continues to grow steadily. However, in recent years, governments around the world have been unable to bear the financial burden caused by long-term subsidies for PV projects, and have lowered their subsidy rates, or have gradually achieved grid parity with the continuous progress and cost reduction of solar energy technology. Some countries, such as Brazil, have begun charging grid access fees for small distributed projects. Policy changes in various countries make it difficult for the growth of the global PV market in 2023 to maintain a superlative growth rate compared to 2022. However, under the circumstance that the demand in most countries is growing and the supply side is increasing significantly, global installation volume is expected to increase steadily in 2023.

3. Liquid cooling smart industry

The heat dissipation industry is expanding its operations and depths in AI, IoT, Cloud, 5G, high performance computing (HPC), smart home appliances and automobile application fields, with air cooling and liquid cooling solutions to meet market demand.

We, at KENMEC, will speed up manufacturing process optimization to increase capacity and productivity, continue to innovate technologies, products and applications while also adequately adjusting the manufacturing location of products to ensure its core competitiveness and overall operating performance in order to keep on leading the industry. Heat transfer products will center on key components and materials such as cooling distribution units (CDUs), rear door cooling, water-cooled panels, convergent-divergent tubes, and dielectric fluids to provide a variety of heat dissipation solutions and services.

(2) Linkage between the upstream, midstream and downstream of the industry

① Automation industry

The whole factory automatic logistics system includes conveyor system, automated storage, automated palletizer system and automated guided vehicles. Their main common materials include stainless steel, aluminum, PLC, pneumatic and hydraulic materials, motors, speed reducers, inverters, pneumatic cylinders, electrical boxes, belts/rollers/chains, gears, blockers, various optical and electrical switches, integrated computer systems and bearings, and so on. Most of the raw materials can be supplied by manufacturers in Taiwan, while a few special materials are imported from Japan and Germany.

Also, as the order for the whole factory automated logistics system taken in Taiwan comes with a series of services in terms of the overall planning and design, procurement of materials, assembly, trial and maintenance, it is therefore not easy to standardize the form of mass sales due to the reason it is built in line with needs of customers. The downstream sector remains the end system manufacturer.

Upstream	Midstream	Downstream
Stainless Steel, Iron, Aluminum Motor Speed Reducer Inverter Pneumatic Cylinder Programmable Logic Controller (PLC) Electric box Belt/Roller/Chain Gears Blocker Optical Switch Computer System	Conveyor Automated Storage Automated Guided Vehicle Automated Palletizer System Parking Equipment Solar Energy Equipment	Automation system users include manufacturing plants of various industries, logistics centers and government agencies

② Solar Cell Industry

A. Polysilicon supply situation

As expected, the production capacity of polysilicon has achieved substantial growth in the past two years. Although the severe shortage of polysilicon continued between 2021 and 2022, causing the overall supply chain price to stay at a high level for more than a year, large-scale production expansion plans of upstream polysilicon manufacturers were in place by Q4 2022. Production capacity was expected to exceed 500GW by the end of 2022. The high volume of silicon production has also significantly loosened prices in the overall supply chain. The price of polysilicon dropped sharply between December 2022 and January 2023, followed by a drastic rebound of 500GW in February and March. Overall, the established expansion plan for the production of polysilicon in 2023 will be launched throughout the year. A monthly increase in production will result in surplus. Given this, the price of polysilicon will gradually return to expected levels. Although there are still some seasons of the year during which prices may fluctuate in the short term due to supply fluctuations such as inspections and repairs, there will be a general trend of slow decline.

B. Silicon Wafer Supply

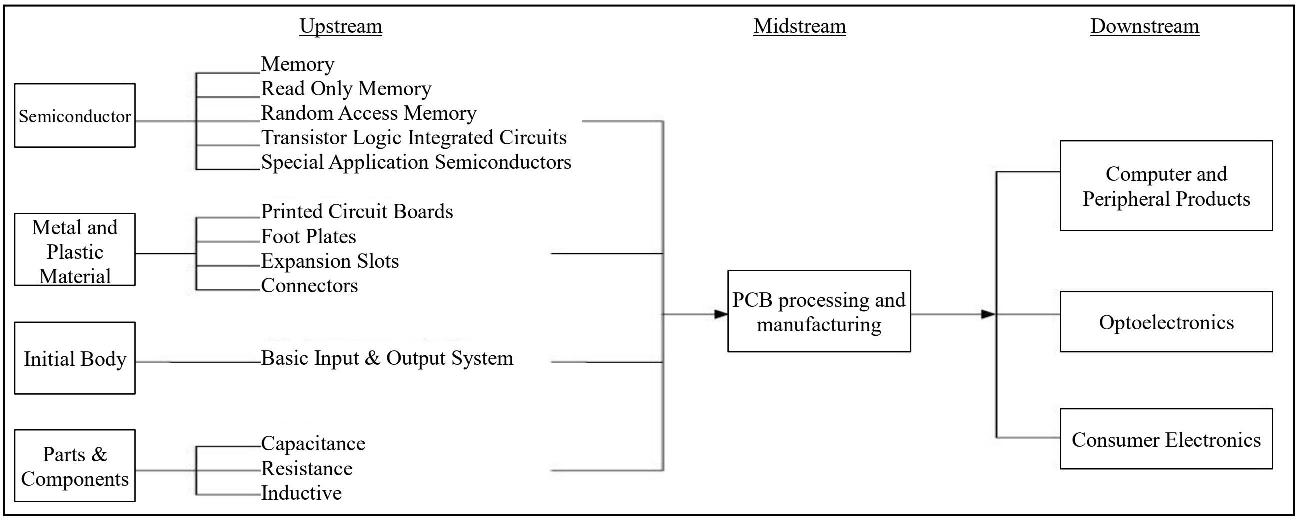
The production capacity of silicon wafers has expanded significantly in recent years, with no sign of easing in the past two years. As silicon wafer manufacturers accelerate this expansion, it is expected that global production capacity will reach 828GW by the end of 2023, a year-on-year increase of 51.45%, and that there will be a phenomenon of oversupply. In contrast, although the overall production capacity of silicon still fell short, with the release of production capacity of the leading suppliers of silicon materials and many new plants, polysilicon will no longer be the bottleneck in the development of the industrial chain. The supplies of materials and silicon wafers will be sufficient to meet the global downstream installation capacity demand, and there is even a significant excess of silicon materials. Silicon wafer prices are expected to follow the same trend as silicon material prices and gradually decline. On the other hand, as the P-type PERC technology has faced the bottleneck of improving efficiency, the PV industry has gradually entered the "N-type era". High demand for N-type silicon wafers has led to an increase in the demand for silica crucibles. As a result, the non-silicon cost of silicon wafer enterprises will rise, limiting the actual output. As silica crucibles are an important auxiliary material for the crystal growth process, the industry is concerned that the supply of silica sand may not be able to keep up with the large-scale increase in wafer production during peak seasons, resulting in a temporary shortage. Therefore, the price of wafers in 2023 is expected to be supported to a certain extent.

C. Market Supply and Demand

Rising market demand in recent years has stimulated the rapid expansion of all segments of the PV supply chain. The effective capacity of the PV main supply chain (silicon materials, wafers, cells, and modules) reached more than 500GW by the end of 2022, which corresponds to meeting the demand of no more than 400GW this year. If capacity expansion plans known in the industry are followed, the total capacity of each segment will exceed 800GW by the end of 2023. It is conceivable that the overall supply and demand market will be over capacity throughout 2023. The supply chain situation has changed from the previous two years and oversupply will lead to fierce price competition in the market again. In terms of bargaining, the initiative will gradually transit from the upstream of silicon wafers and silicon materials to the downstream of cells and modules.

③ OEM parts & components industry

In terms of the linkage between of the upstream and downstream of the electronic module product assembly and manufacturing industry, the upstream sectors are suppliers of semiconductors, metal plastic components, firmware and components for PCB substrate manufacturing, and the downstream sectors are makers of computer and peripheral equipment, optoelectronics and consumer electronics. With the professional division of labor system in Taiwan’s electronic hardware industry, the upstream, midstream and downstream systems of the entire industry have been relatively successful. At present, a good number of semiconductors, metal-plastic components, and parts can be supplied by manufacturers in Taiwan and with the improvement of technology between up and downstream sectors, the development of the industry is becoming more mature.



(3) Development Trends of Products

① Development Trend of Whole Factory Automated Logistics System

With our history of involvement in automation of over 47 years, we are able to provide one-stop services including design, planning, integration, construction, production, installation and after-sales services to cater to the automation needs of customers. Given that we have served more than 80% of listed companies in Taiwan, it proves that our capabilities are highly recognized in the market. At KENMEC, we pledge to provide customized services and non-standardized products to realize the automation equipment designed by customers according to their needs. There are no actual products for reference with respect to design planning or production as we completely rely on the professional competence and service quality of our team. Products we will focus on in the future:

A. Smart manufacturing: By integrating automation equipment data, remote monitoring and AI technology, each stage of the advanced manufacturing model in the production process is highly customized and made intelligent, further achieving cost reduction, manufacturing efficiency improvement and quality optimization. This way, we will be able to meet the needs of external markets that are rapidly changing.

B. Smart logistics: With the control of IT information systems, each detail of the logistics system is linked, enabling the system to become fully aware of the entire process. In doing this, all types of unexpected issues can be dealt with in a timely manner, while also conducting necessary autonomous adjustments.

C. Vacuum heating equipment: Third-generation semiconductor raw materials are placed in a crucible and fed into the quartz tube of a crystal growth furnace for vacuuming. RF coils are used for heating in a high vacuum environment at temperatures up to 2500°C for the sublimation growth of third-generation semiconductors.

D. Autonomous mobile robots (AMRs): KENMEC has been proactively investing in the R&D of AMRs. By combining dispatch systems, introducing virtual reality integration, and utilizing the 5G communication system’s characteristics of “high speed”, “low latency” and “multi-link”, information in the field is easily transmitted with ultra-high bandwidth across the plant floor. This also helps communication and collaboration when coupled with product line equipment and robot arms. AMR inspection vehicles possess dynamic environmental network detection, smart obstacle avoidance and narrow-aisle shuttle capabilities. AMRs can be applied in disinfection, video meter reading, patrol and detection of environmental information data in plans when paired with a variety of sensor systems and active systems.

E. Combat Information Center systems: Combined with KENMEC's automation equipment system, the analysis of compiled data is presented visually. ERP transaction data and non-ERP decision-making reference data is integrated to allow management to precisely grasp the production dynamics and operational performance in order to respond to fast changing markets.

② Development Trend of Solar Cell Modules

A. Silicon wafers and production equipment continue to evolve in the direction of large-size: From 2022 to 2023, the PV industry's transition to large-size silicon wafers/cells will not stop, and will even accelerate. Most PV manufacturers in China have chosen to produce products with 182mm and 210mm dimensions. Due to this, products with smaller dimensions such as 158.75mm and 166mm are rapidly declining. In 2023, 182mm modules already dominated the market, followed by 210mm modules. There is not much demand for 166mm size products in the Chinese market, and 158.75mm size single crystal products have almost disappeared. The size conversion in overseas markets is slow, and some of the production lines built in the early stage can only produce products with dimensions below 166mm. In Europe and the United States, the residential roof market still mostly uses small-size products due to the convenience of installation. There are also many early-stage projects requiring small-size modules for maintenance and replacement. It is expected that the market share of smaller sizes will drop below 10% by the end of 2023, while 182mm and 210mm sizes will take over more than 90% of the market share.

B. Rapid rise of N-type products: Although mono PERC cells have dominated the market for the past few years due to their better performance in yield and cost, the technology development and efficiency improvement of PERC cells are approaching a bottleneck. Under competition in the macro environment, the profit of PERC products is gradually decreasing. N-type technology represented by TOPCon, HJT, and XBC has gradually become the focus of enterprises competing for deployment. In the future, with the reduction of production costs and improvement in yield, N-type batteries are expected to surpass P-type batteries to become the mainstream of the new generation of the market. After years of competition with different technology routes for N-type batteries, most of the leading manufacturers choose the TOPCon technology that can integrate the process from PERC and the cost can be close to PERC as the main follow-up expansion plan. According to statistics, about 20GW of N-type high-efficiency products was shipped in 2022, with a market share of more than 7%. The market expects that the total global battery capacity will reach 886GW in 2023, of which N-type battery capacity will be about 338GW, accounting for 39%, with a rapidly increasing share. In particular, the rapid growth of TOPCon capacity will accelerate the replacement of PERC capacity.

C. Silicon wafer thinning acceleration: With the gradual introduction of large sizes since 2019, silicon wafer thickness has stayed at 170–180um for at least 3 years. Since 2021, due to the shortage of polysilicon, increasing silicon prices and the introduction of advanced equipment for large sizes, silicon wafer thinning advancement has seen rapid acceleration. In just over a year, wafer thickness has decreased by more than 15um and is continuing to decrease. In the face of high polysilicon prices, the most direct and effective measure for reducing the cost of silicon wafers is to save the amount of polysilicon used. Wafer thinning is a specific way to save material and has outstanding advantages in cost reduction in the industrial chain. According to the leading silicon wafer manufacturer LONGi, the midstream thickness of P-type 182mm and 166mm size has decreased to 150um. Another leading manufacturer CMC is also taking a protective approach to promote thinning; the midstream thickness of P-type 210mm and 182mm size has decreased to 150um. The N-type silicon wafer that is mass-produced on the market is only 130um in thickness, and CMC has even released N-type silicon wafer with a thickness of 110um. Overall, there is an increasing demand for thinner silicon wafers on the market. Both silicon wafers and cells are speeding up their transformation of becoming thinner. In addition, since breakthroughs in thinning technology have been made, even if the price of silicon wafers falls in the future, based on the consideration of cost reduction, thicker silicon wafers may not return again.

(III) Overview of the Technology and R&D

(1) R&D expense of the most recent 5 years

Unit: NTD thousand

Item/Year	2018	2019	2020	2021 (after restatement)	2022	First quarter of 2023
R&D expense	143,979	101,833	107,507	161,342	254,970	71,092
Operating revenue	5,547,666	4,363,773	4,298,290	4,039,778	5,359,208	1,338,989
R&D expenses as a percentage of revenue	2.60%	2.33%	2.50%	3.99%	4.76%	5.31%

(2) R&D personnel and their education background

Unit: person

Education background \ Year	2021		2022		First quarter of 2023	
	Number of Persons	%	Number of Persons	%	Number of Persons	%
Doctoral Degree	10	6%	8	5%	8	4%
Master's degree	19	11%	19	11%	58	33%
College or below	140	83%	144	84%	112	63%
Total	169	100%	171	100%	178	100%

Supervisors in our R&D Department have many years of experience in engineering. They have constantly taken part in technical cooperation and visited major exhibitions held by related industries in both Taiwan and abroad. Coupled with years of assistance provided to customers to complete many system engineering projects, they constantly strive to improve the quality and technology of products. Our R&D supervisors are fully equipped with extensive understanding of the industrial background and practical theories. Integration of optical, mechanical, electrical, and software professionals are required for the technology related to multimedia players. The R&D team of the Company is made up of specialists from various professional fields, including optical, mechanical, electrical, and software fields. These specialists have broad professional experience which is highly beneficial and effective when it comes to product manufacturing research and development. Thanks to our strong R&D team that is dedicated to meeting the current and future R&D needs, enabling the Company to continue to lead the industry.

(3) Technologies or products successfully developed in the past five years

Year	R&D results
2018	Large AGV Gantry system
2019	Unmanned smart food delivery system
2020	AMR-Forklift Type 6-axis robot + 3D vision positioning technology application KM-ICB Precise solar cell alignment visualization system
2021	Software and firmware standardization 7.5m Automatic Guided Forklift (AGF) AMR inspection vehicle
2022	Dual rudder roller conveyor AMR Full coupled AMR cross-control system TOF pallet detection technology + Lidar space detection technology

(IV) Long-term and Short-term Business Development Plans

(1) Short-term Business Development Plans

1. Due to the trade war between the U.S. and China, many companies have returned to Taiwan for investment. KENMEC will seek automated smart factory opportunities in companies that have returned to Taiwan to set up factories. Strengthen the promotion and sales of Southeast Asian business in line with the New Southbound Policy.
2. In light of the boom of the "stay-at-home economy" resulting from COVID-19, many operators began to have a high demand for room temperature, low temperature cold chain equipment and smart stereoscopic production lines as well as high-density warehousing and logistics. Owing to this, the automation warehousing and logistics industry is due to become larger and generate more benefits. Given this, we will focus more on expansion in China, Japan and Europe in addition to Taiwan.
3. Strengthen the promotion of AGV, invest in AMR R&D and provide the integration services of our own and advanced domestic and international logistics automation equipment and software. In doing this, we will meet the market trend and customer demand of the e-commerce sector and large logistics centers that are undergoing thriving development.

(2) Long-term Business Development Plans

In today's fast changing world, we at KENMEC adhere to our Group's management philosophy of "integrity, responsibility, innovation and improvement" to continue to innovate and make changes in response to the development of the industry. In the future, we plan to form a team combining Taiwan's Grade A operators in the construction, plumbing and air conditioning industries with the aim to provide turnkey and smart manufacturing integration solution services in Southeast Asia and other markets. By doing this, the operation scale of KENMEC is able to grow side by side with customers, moving together towards the highest level of smart manufacturing. In the future, we will continue to focus on smart logistics automation equipment, third-generation semiconductor equipment, room temperature and cold chain smart logistics systems, smart logistics, data center/server room cooling and heat transfer solutions. Furthermore, we will also revitalize investment real estate in China to further improve the operational efficiency of the Group.

II. Market and Sales Overview

(I) Market analysis

1. Sales (provision) of major products (services) regions

KENMEC has accumulated over 46 years of experience and achievements in many types of automation system engineering. Through our highly efficient organizational management, high productivity and competitiveness, we have won the support and trust of our customers. Moreover, our automation technology and integration capabilities have been highly regarded by many international manufacturers which has taken our international competitiveness to the next level. The Company's major sales regions for the most recent fiscal two years are as follows:

Unit: NTD thousand; %

Sales regions \ Year		2021 (after restatement)		2022	
		Amount	%	Amount	%
Domestic market		1,692,378	41.89	2,480,534	46.29
Export	Oceania	29,691	0.74	6,327	0.12
	Asia	1,844,702	45.67	1,323,253	24.69
	Americas	463,740	11.48	1,532,451	28.59
	Europe	9,267	0.22	16,643	0.31
	Subtotal	2,347,400	58.11	2,878,674	53.71
Total		4,039,778	100.00	5,359,208	100.00

The Company's sales and labor service provided are mainly to customers from overseas markets. In 2022 and 2021, the overseas sales decreased by approximately 53.62% and 58.07%, respectively. The export sales were mainly Americas markets, and the increase in domestic sales in 2022 from 2021 was mainly due to the trade war between China and the U.S. and the Taiwanese government's proactive approach in promoting Taiwanese businessmen to return to Taiwan for investment, resulting in an increase in the proportion of domestic sales.

2. Market share

KENMEC has been operating for more than 47 years since its incorporation in 1976. In the early days, KENMEC was mainly engaged in the production, manufacture, installation and maintenance of machinery and equipment. Later, in order to cope with the changes in the domestic industrial environment, not only did we constantly develop new high quality and multi-functional automation equipment, we also started working with international professional manufacturers, which has continued to date. With our expertise, we have become a professional system integration sector for the design, manufacture, installation, trial, consultation, maintenance, and service of automated system equipment. Our customers range from the optoelectronics industry and logistics industry, solar energy, general electronics, plastics, food sectors, to public institutions. With years of experience in various professional projects and outstanding engineering performance, the Company is highly productive and competitive through highly efficient organizational management. Our automation business is as follows:

Our automation business mainly provides smart automation, large logistics centers, TFT-LCD factories, automated logistics and peripheral equipment, and different types of equipment are customized and manufactured according to customers' needs. There are many companies in Taiwan and abroad in a similar line of business as the Company, such as Mirle Automation, Auto Tech, GPM, Contrel Technology, and Da-Fu in Japan. However, each company has their own expertise and the natures of the projects in which they are involved also vary. At KENMEC, we provide a wide range of services for integration engineering of factory automation logistics systems, and we have accumulated over 46 years of achievements and experience in the field of integration engineering of factory automation logistics systems.

3. Market future supply, demand and growth

With KENMEC's automation products being widely used in many industries, they are closely linked to economic booms and the status of private investments. Moreover, countries across the world have been proactively making an effort to promote Industry 4.0, hence plans have been drawn up for related equipment investments. In addition, as domestic economic activities are again revitalized, the market demand for automation equipment services will at the same time increase. Therefore, the future growth of the industry is optimistic.

4. Competitive niche

① Cooperate with international well-known manufactures to improve system products

While the development of new technology is necessary for automation systems, it also meets a variety of needs of different customers. With the technological development of consumer electronics forever changing, the Company does its utmost to engage in technological exchange and maintain a close cooperative relationship with the major multimedia playback IC suppliers. By using our partners' leading technologies, not only are we able to improve and deepen our own technological capabilities, we also gain inspiration to develop new technologies, enabling our products and quality to reach international standards. The Company strives to be an international leader and develop products that meet market trends.

② Strong management team with extensive experience

A. With our involvement in the automation industry for over 47 years, our management teams are all equipped with complete industry backgrounds and relevant knowledge. Our rich industry experience and technology have assisted many customers in completing countless system projects. At the same time, we continue to elevate our product quality and better our technology to enhance future competitiveness.

B. Since 1976, we have been investing in projects associated with whole factory logistics systems. With years of accumulated experience regarding engineering R&D and manufacturing, we have been able to reduce the time and cost of trial and error. This competitive advantage is not likely to be exceeded by small or new manufacturers.

③ Standout R&D team

In terms of plant automation development trends, we focus on technology research and development and services. We operate our business by upholding the philosophy of “top technology and top quality” combined with our professional knowledge and accumulated experience. As for key technologies, we have accumulated a total of 65 patents, with an average of 10-15 patents per 100 employees. Our expertise lies in whole factory automated logistics systems, including planning, design, manufacturing, installation, test runs and after-sales services. Our accomplishments have been highly recognized by customers all over the world.

5. Favorable and unfavorable factors of development vision and countermeasures

① Favorable factors

A. We are a whole process supplier for whole automated logistics systems and have entered the field of smart logistics equipment long ago. With our rich experience and technological advantages in automation, we help disperse risks and expand business opportunities in downstream application markets.

B. As manpower costs are increasing, the demand for automated labor-saving equipment increases at the same time. More and more manufacturers have switched to the use of automated equipment, hence the growth in demand.

C. With the rising awareness of environmental and industrial safety, more dangerous tasks at workplaces tend to be performed by automated equipment.

D. The demand is increasing for conveying equipment by domestic logistics, food, chemical, steel, and electronics and semiconductor industries.

E. To address the increasing market orientation and demand for third-generation semiconductor applications, the Company’s new venture group has been engaged in silicon carbide solutions. At present, the plan for the construction of equipment has been completed and will soon be mass produced, becoming a new momentum for growth.

② Unfavorable factors

A. High wages and the difficulty to acquire land in Taiwan have made industries move to other emerging countries.

B. Some key components still rely on imports

③ Countermeasures

A. Put effort into expanding overseas markets and continuing to reinforce our international marketing base to form an international distribution network to increase market share

B. Maintain positive and stable long-term relationships with suppliers, while also establishing international division of labor with overseas partners.

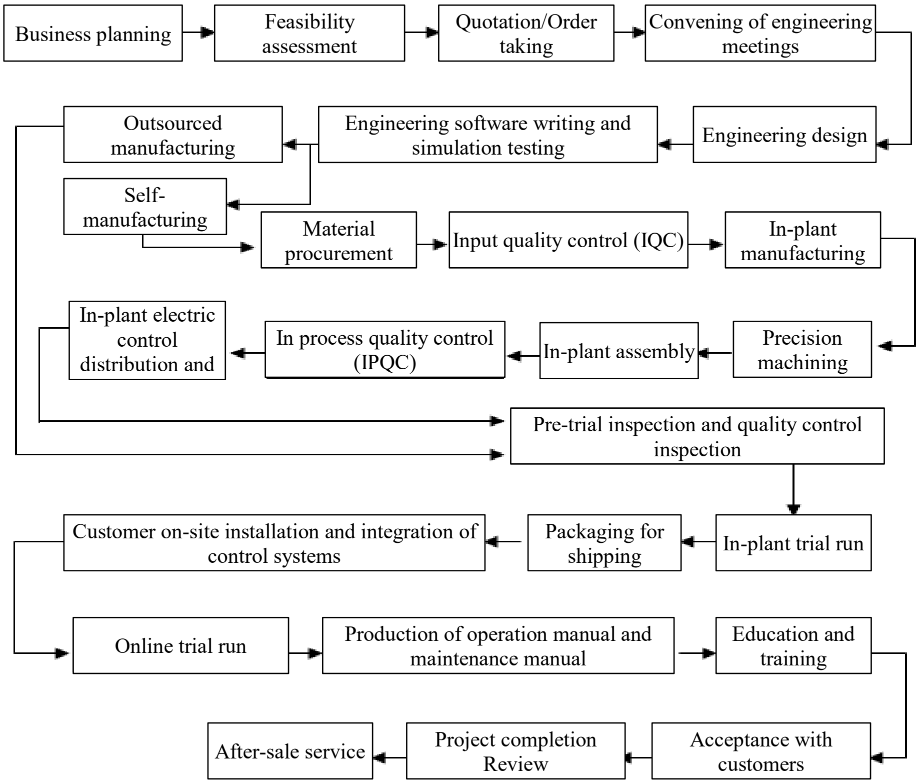
(II) Important Purposes and Production Processes of Main Products

1. Important purposes of major products

Item		Important uses and functions
Whole factory automated logistics system	Smart Manufacturing	By integrating automation equipment data, remote monitoring and AI technology, each stage of the advanced manufacturing model in the production process is highly customized and made intelligent, further achieving cost reduction, manufacturing efficiency improvement and quality optimization. This way, we will be able to meet the needs of external markets that are rapidly changing.
	Smart logistics	With the control of IT information systems, each detail of the logistics system is linked, enabling the system to become fully aware of the entire process. In doing this, all types of unexpected issues can be dealt with in a timely manner, while also conducting necessary autonomous adjustments.
	Vacuum heating equipment	Third-generation semiconductor raw materials are placed in a crucible and fed into the quartz tube of a crystal growth furnace for vacuuming. RF coils are used for heating in a high vacuum environment at temperatures up to 2500°C for the sublimation growth of third-generation semiconductors.
	Autonomous mobile robots (AMRs)	KENMEC has been proactively investing in the R&D of AMRs. By combining dispatch systems, introducing virtual reality integration, and utilizing the 5G communication system's characteristics of "high speed", "low latency" and "multi-link", information in the field is easily transmitted with ultra-high bandwidth across the plant floor. This also helps communication and collaboration when coupled with product line equipment and robot arms. AMR inspection vehicles possess dynamic environmental network detection, smart obstacle avoidance and narrow-aisle shuttle capabilities. AMRs can be applied in disinfection, video meter reading, patrol and detection of environmental information data in plans when paired with a variety of sensor systems and active systems.
	Combat Information Center systems	Combined with KENMEC's automation equipment system, the analysis of compiled data is presented visually. ERP transaction data and non-ERP decision-making reference data is integrated to allow management to precisely grasp the production dynamics and operational performance in order to respond to fast changing markets.
Solar power system, parts and components		Suitable for the installation of solar power systems in general commercial systems and public construction works.

2. Production process

We are a professional automated logistics system engineering company; the principal basis for the manufacturing process of automated integrated conveyor systems (including conveyor system, automated palletizer system, automated storage/retrieval system and automated guided vehicle) is as follows:



(III) Supply Status of Main Materials

The Company's main products are whole factory automated logistics systems (including automated conveyor systems, automatic storage systems, automated palletizer systems, and automated guided vehicles) that share the same main raw materials, including iron, stainless steel, aluminum, motors, speed reducers, inverters, pneumatic cylinders, PLCs, electrical boxes, belts/rollers/chains, gears, gear stoppers, various buttons or switches, and computers required for integration and connection. The sources for our equipment are mainly supplied by manufacturers in Taiwan, while a few numbers of materials are imported from Japan and German. In order to ensure the stability of raw material acquisition, we maintain good cooperative relationships with suppliers. At the same time, we also provide the executive management with the best analysis tools to effectively control the material management and manufacturing schedule, to manage the inventory and to achieve the overall management performance through the system's procurement, warehousing, material management, production control and quality control systems in line with our Enterprise Resource Planning (ERP) system.

(IV) List of main customers

(1) Names of customers that accounted for more than 10% of the total purchases of goods in any of the past two years and the amount and proportion of the goods purchased and the reason for the change

Unit: NTD thousand

Item	2021				2022				First quarter of 2023			
	Name	Amount	Ratio to annual net procurement (%)	Relationship with the issuer	Name	Amount	Ratio to annual net procurement (%)	Relationship with the issuer	Name	Amount	Ratio to annual net procurement (%)	Relationship with the issuer
1	Hongyuan New Materials	292,448	10.48	None	JINKO SOLAR (VIETNAM)	1,032,354	29.44	None	JINKO SOLAR (VIETNAM)	257,705	35.44	None
2	None	None	None	None	Retek	545,334	15.55	None	Retek	167,398	23.02	None
3	None	None	None	None	JINKO SOLAR	466,680	13.31	None	Rickeed Industries Limited	79,631	10.95	None
4	Others	2,499,076	89.52		Others	1,462,098	41.70		Others	222,360	30.59	
	Net procurement	2,791,524	100.00		Net procurement	3,506,466	100.00		Net procurement	727,094	100.00	

The main suppliers for Q1 2022 and 2023 were JINKO SOLAR (VIETNAM) INDUSTRIES COMPANY LIMITED and Retek Semiconductor Co Ltd. to provide wafer for solar cells – the main raw material for the manufacturing of the Company's solar power systems.

(2) Names of customers that accounted for more than 10% of the total sales of goods in any of the past two years and the amount and proportion of the goods sold and the reason for the change

Unit: NTD thousand

Item	2021 (after restatement)				2022				First quarter of 2023			
	Name	Amount	Ratio to annual net sales (%)	Relationship with the issuer	Name	Amount	Ratio to annual net sales (%)	Relationship with the issuer	Name	Amount	Ratio to annual net sales (%)	Relationship with the issuer
1	AA	450,301	11.15	None	AB	807,474	15.10	None	AB	332,446	24.80	None
2	None	None	None	None	AC	668,496	12.50	None	AC	148,093	11.10	None
3	None	None	None	None	None	None	None	None	None	None	None	None
	Others	3,589,477	88.85		Others	3,883,238	72.40		Others	858,450	64.10	
	Net sales	4,039,778	100.00		Net sales	5,359,208	100.00		Net sales	1,338,989	100.00	

For the past two years, the Company has mainly been engaged in selling solar cells and whole factory automated logistics systems, and selling solar cells for the first quarter of 2023. Our sources of customers are diverse, covering logistics, electronics and information technology, solar energy and food industries. The targets we sell products to are highly dispersed and changeable, and as a result the ranking of sales and the change in sales amount for the past 2 years vary due to changes in the capital expenditure of customers and their business performances.

(V) Production Volume and Value in the Most Recent Two Years

Unit: NTD thousand/thousand PCs

Year / Production Volume and Value / Main product	2021			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Whole factory automated logistics system	Note 1	Note 2	1,037,071	Note 1	Note 2	1,665,833
Solar cell	72,330	72,330	1,586,957	109,851	109,851	2,011,397
Automotive electronics	3,712	3,712	350,004	895	895	183,513
Building (construction) materials	Note 1	Note 2	56,480	Note 1	Note 2	177,562

Industrial computers	1,693	1,693	151,759	2,745	2,745	195,401
Electronics parts and components	920	920	106,527	303	303	36,104
Others	11	11	110,451	6	6	66,071
Total	78,666	78,666	3,399,249	113,800	113,800	4,335,881

Note 1: Our production capacity is unable to be calculated as our products are manufactured once we receive orders and there are a large number of production lines.

Note 2: As our automated logistics systems and building materials are designed according to the customer's demand and each system requires different parts, hence, there is no point in calculating the quantity.

Note 3: Others are sales of raw materials and parts and components, and due to the raw materials and parts required vary, there is no point calculating the quantity.

(VI) Sale Volume and Value in the Most Recent Two Years

Unit: NTD thousand/thousand PCs

Year / Sales Volume and Value / Main product	2021 (after restatement)				2022			
	Domestic market		Export		Domestic market		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Whole factory automated logistics system	Note 1	1,198,178	Note 1	333,003	Note 1	2,060,802	Note 1	293,234
Solar cell	7,195	163,257	66,485	1,356,284	2,195	2,055,619	104,750	2,117,686
Automotive electronics	0	0	6,085	292,146	5	75,540	414	171,594
Building (construction) materials	0	0	Note 1	267,700	0	610	Note 1	204,182
Industrial computers	1,650	172,702	44	8,684	2,739	0	7	2,431
Electronics parts and components	4,680	95,702	2,025	87,140	1,966	258,702	2,278	88,157
Others	13,155	62,539	578	2,443	12,204	63,353	234	1,390
Total	26,680	1,692,378	75,217	2,347,400	19,109	26,710	107,683	2,878,674

Note 1: As our automated logistics systems and solar power systems are designed according to the customer's demand and each system requires different parts, hence, there is no point calculating the quantity.

III. Number of employees employed for the two most recent years, and during the current year as of the date of publication of the annual report

Unit: person

Year		End of 2021	End of 2022	March 31, 2023
Number of employees	Manager	119	106	104
	Production line workers	883	645	657
	General employees	743	630	631
	Total	1,745	1,381	1,392
Average age		38.83	40.30	35.34
Average years of service		8.3	9.4	8.6
Education distribution %	Doctoral Degree	0.23%	0.43%	0.43%
	Master's degree	4.13%	6.23%	6.11%
	College or below	95.64%	93.34%	93.46%

IV. Information on environmental expenditure

1. According to laws and regulations if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made: The Company's line of business is the design, planning, manufacturing, installation and maintenance services of automated conveyance equipment. As these businesses do not generate a large amount of pollution such as wastewater and exhaust gas during the manufacturing process, there is no need to apply for the installation of pollution prevention equipment. Our Ruifang plant situated in the Ruifang Industrial Park should set up sewerage facilities and be registered as required by the regulations.
2. Setting forth the company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced

March 31, 2023; Unit: NTD thousand

Equipment name	Quantity	Acquisition date	Investment cost	The use purpose and the possible effects to be produced
Volatile organic waste gas treatment system	1 unit	97.10、98.06、99.09、99.12、100.01、100.02、100.10、100.12、101.03、101.04、101.06	11,368	Treats exhaust gas to meet environmental emission criteria
Acid-alkali wastewater treatment system	1 unit	97.11、98.02、98.04、98.06、98.12、100.01、100.07、100.08、100.10、100.11、100.12、101.03、101.06、102.09、103.06、103.12	51,297	Treats production effluent to meet environmental emission criteria
Acid-alkali waste gas treatment system	1 unit	98.04、98.12、99.12、100.01、100.10、100.12、101.03、101.06、101.08、103.10、104.01	24,971	Treats exhaust gas to meet environmental emission criteria
General exhaust system	1 unit	98.04、98.06、98.12、101.6	3,849	Prevents air pollution to comply with environmental laws
Local Scrubber	16 units	98.12、100.03、101.12	18,211	Prevents air pollution to comply with environmental laws

3. Describing the process undertaken by the company on environmental pollution improvement for the most recent two fiscal years and up to the publication date of the annual report. If there had been any pollution dispute, its handling process shall also be described: None.
4. During the current fiscal year up to the date of publication of the annual report, the losses caused by environmental pollution (including compensation) and total amount of penalties. The future countermeasures (including improvement plans) shall also be disclosed (including the estimated amount of losses, penalties and compensation that may occur if countermeasures are not taken. If it cannot be reasonably estimated, facts of the reason shall be given): None.
5. Explain the current condition of pollution and the impact of its improvement to the profits, competitive position and capital expenditures of the company, as well as the projected major environment-related capital expenses to be made for the coming two fiscal years: None.

V. Relations between employers and employees

1. Various employee welfare measures, continuous education, training, retirement systems and their implementation status; agreements between employers and employees and various measures for protecting the interests of employees
   (1) Employee welfare

① The Company has established an Employee Welfare Committee in accordance with the Employee Welfare Fund Act, and handles employee benefit operations accordingly. Based on the amount of working capital at establishment, the Company also provides benefits, monthly turnover, monthly operating income, employees' salaries, and scrap sales in accordance with the regulations.

② National Health Insurance, Labor Insurance, pension provision, contribution to the Wage Advancement Fund and Occupational Hazard Insurance are provided by the Company.

③ Our employees at the Company are also entitled to group accident insurance taken out from a life insurance company, which is paid for by the Company.

④ Activities such as employee trips in Taiwan or abroad, birthday parties, departmental dinners are arranged on a regular basis, aiming to bring employees closers while promoting a harmonious workplace.

⑤ All employees who have reached a certain number of years of service are entitled to bonuses or gifts of the same amount.

⑥ If there is a profit for the year, the Company shall first pay taxes and cover previous losses, then set aside 10% as the legal reserve. As required by the law or competent authorities, a special reserve shall also be set aside. The remainder is then used for distribution which is proposed by the Board of Directors and recognized by the shareholders' meeting. Among the earnings, 5%–15% is allocated as remuneration to employees, whereas remuneration to directors and supervisors is allocated at 1%–3% of the current year's net income after tax. Also, employees who are entitled to receive the Company's dividends must be the Company's employees who meet certain criteria.

⑦ Money or gifts are given to employees on Labor Day, Dragon Boat Festival, and Mid-Autumn Festival.

⑧ At the end of each year, we organize a year-end dinner party, award ceremonies for employees who have performed outstandingly, karaoke activities and lucky draws.

(2) Employees' continuing education and training

The Company's new employees must receive pre-employment training courses upon arrival, followed by professional technical training depending on different functions and business requirements. Meanwhile, at KENMEC, we provide an open and diverse learning environment to employees through internal/external training, OJT, KM (Knowledge Management System) and cultivation system (e.g.. professional functions, general education courses, self-enlightenment). By making the effort, we hope we will strengthen the functions of our employees, effectively elevating our business performance and competitiveness. The Company has formulated the "Employee Development Measures," "Employee Internal Lecturer Evaluation Measures" and "Employee Education Plan," and plans related training courses according to the employee's job functions and professional requirements as a means to enhance their knowledge. The Company's 2022 education and training results are as follows:

Item	Number of courses	Total participants	Total hours	Total amount (NTD)
1. New employee training	191	701	1,531	1,578,498
2. Promotional functional training	165	1,274	2,800	118,675
3. General training	71	594	1,893	202,870
4. Self-inspired training	67	739	1,745	380,158
Total	494	3,308	7,969	2,280,201

(3) The retirement system and its implementation

In line with the regulations, the Company began to implement the "Labor Pension Act" on July 1, 2005. Employees who were still in service on July 1 hired before June 30 who chose to continue to be subject to the pension mechanism under the Act, or the pension system of the same provision but retain the years of service before the regulations. Employees hired after July 1, 2005 are only subject to the pension fund system of the "Labor Pension Act". For employees who opt for the new system, the Company contributes 6% of the employee's monthly salary to their personal account. For those who opt for the old system, the Company has formulated Employee Retirement Measures in accordance with the Labor Standards Act and contributes to the retirement reserve of the dedicated account of the Bank of Taiwan.

(4) Agreement between labor and management and measures to protect the rights and interests of employees.

The Company holds regular labor and management meetings, where our employees are able to express their opinions. There are no disputes between employees and management as the communication situation between them is sound.

2. Work environment and employees' personal safety

(1) Access Control Security

1. Our plant is equipped with internal access control and surveillance system to ensure the safety of our employees and the plant.
2. An external professional security company is entrusted to appoint a 24-hour security stationed at the main entrance of the plant, ensuring the management of cars, personnel and property coming in and exiting the plant.

(2) Maintenance and inspection of equipment

1. As required by the Fire Services Act, an external sector is entrusted for fire inspections each year.
2. Based on the Company's annual occupational safety and health management plan, maintenance and self-inspection of high and low voltage electrical equipment, elevators, air conditioners, drinking fountains, and firefighting equipment are conducted each day, month, every three months, every six months or each year.

(3) Disaster prevention, preparedness and response

1. Disaster prevention including the "Emergency Accident Response Contact Form", the "Labor Safety and Health Work Rules", "Occupational Safety and Health Management Plan" and "Prevention for Damage of Typhoons", as well as accident and disaster notification procedures have been formulated to clearly regulate the content of the tasks of each unit before and after responding to a major event such as natural disasters or major emergencies. Each year, training will also be provided to the Civil Defense Corps and the results of drills will be sent to the police for future reference.
2. A fire prevention drill is carried out by the competent firefighting authorities every six months.
3. In order to maintain the safety and health of our employees, an Environmental Safety Office has been set up to promote business in relation to safety and health. The Office is equipped with 1 Type A Labor Safety and Health Supervisor and 1 Labor Safety and Health Management (full-time), which have been registered with the Labor Inspection Office of North District, Council of Labor Affairs, Executive Yuan.

(4) Physiological Hygiene

1. Health examination: A general physical examination for newcomers and an annual general health examination for serving employees.
2. Workplace hygiene: Smoking is prohibited in the workplace; there is a dedicated smoking area, and full-time cleaners are hired for the cleanliness of the office environment.

3. An inspection on the operating environment is carried out by an outsourced sector every six months.

(5) Mental Health

1. Education and training: We provide professional education and training, seminars and e-training to strengthen the knowledge of our employees.
2. Expression of opinions: The Company has set up an internal website with public announcement sections to provide operating forms, education and training, article sharing. A labor–management is held on a quarterly basis for our employees to express their opinions and communication between labor and management.
3. Sexual harassment prevention and control: Workplace sexual harassment prevention and control measures, complaints and disciplinary measures have been set up.

(6) Factors of operating hazards and notification for contractors

1. Factors of operating hazards and notification for contractors are handled in accordance with the Occupational Safety and Health Management Act.

(7) Provide insurance and medical assistance

1. Provide labor insurance (including occupational disaster) and national health insurance as required by the law.
2. All employees are covered with accident insurance of NTD 3 million.
3. The Company has set up an Employee Benefit Committee intended for the promotion of employee benefits; compensation to employees for hospitalization and bereavement is also provided.

3. Code of conduct and ethics for employees

(1) We have formulated the “Work Rules” as the standard of conduct for our employees to follow and its main contents are follows:

a. The Company’s employees shall faithfully perform their duties, comply with all reasonable rules and regulations of the Company.
b. Employees shall not use their authority to benefit themselves or others.
c. Employees shall not take advantage of their duty or go against the performance of their duties to accept hospitality, gifts, kickbacks or other unlawful benefits.
d. Employees shall exercise due diligence in the matter of confidentiality of business secrets or duty secrets, important documents, technology or information, and shall report any breach of confidentiality to their superiors for promoting handling.

(2) The “Employee Appraisal Measures” have also been formulated and our employees are well-informed of the related regulations.

(3) Internal and external education and training regarding ethical corporate management organized by the Company

In 2022, we organized internal and external education training courses in relation to ethical corporate management issues (ethical corporate management statutory compliance, accounting system and internal control system courses); a total of 173 people participated, totaling 382 hours.

No.	Course type	Participants	Hours of the course	Remarks
1	ethical corporate management statutory compliance	145	291	Including integrity promotion for newcomers
2	Accounting system and internal control	28	91	
	Total	173	382	

(1) The Company has established its “Ethical Corporate Management Best Practice Principles” approved at the meeting of the Board of Directors on March 10, 2023.

4. List any losses suffered by the company in the most recent two fiscal years and up to the annual report publication date due to labor disputes, and disclosing an estimate of possible expenses that could be incurred currently, and in the future, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided

   Under the long-standing harmonious management culture of the Company, our employees have common understanding regarding the Company’s management style and habits. Our employees also improve and enhance the environment and quality of the workplace. As there are smooth communication channels in place in the Company, up until the publication date of the annual report, there have not been any labor disputes that resulted in losses of the Company. Currently, there are no disputes that will result in losses of the Company.

VI. Cyber Security Management

1. Cyber Security Management Strategy and Structure:

(1) Cyber Security Risk Management Structure

Since its establishment, the Company’s Information Division has been responsible for the formulation and implementation of information security and protection-related policies. The Information Division periodically reviews information protection guidelines and policies in line with the Company’s internal audits and information circulation as well as external audit needs. In doing so, the effectiveness of information security management measures can be measured. The management structure is the responsibility of the Operations Management Center - Information Division - Network Management Section.

(2) Cyber Security Policy

In an effort to effectively implement cyber security management, a routine meeting is held each week by the Information Division. In the meeting, the applicability of information security policies and protection measures are reviewed based on the management cycle mechanism of Plan-Do-Check-Act (PDCA). The supervisor is periodically made known of its effectiveness by reports.

(3) Cyber Security Risks and Countermeasures

Information Technology Security Risks and Management Measures

The Company is aware of the possibility of malicious attacks from third parties which may cause abnormalities in the Company’s computer systems. Based on this, we strengthen the daily backup of local/offsite data and virtual machines on a regular basis.

① Formulate rules: Establish information security rules to be used as the guidelines for the Company’s information security management and employees.

② Environment construction: Establish full information security equipment/filtering software and abnormality detection notification to thoroughly implement information security risk management.

③ Education and training: Regularly release information security notifications on announcement platforms; elaborate on the Company’s cyber security policies from time to time in meetings.

④ Policy review: Promote and continue to improve information security and ensure sustainable management of the Company through detection software in order to prevent threats.

⑤ Software update: Regularly review the update rate of the company and personal anti-virus software virus codes and update penetration rate of operating system information security to prevent information security risks caused by the products themselves.

2. Major Cyber Security Incidents:
During this period, the Company only detected sporadic scan attempts, which were addressed by performing source blocking and internal scans for viruses and worms. There were no major cyber security incidents.

VII. Important Contract

(All supply/sales contracts, technologies cooperation contracts, construction contracts, long-term loan agreements which are currently effective or have expired in the most recent fiscal year, and all other important contracts which are likely to impact the investors' rights)

Nature of Contract	Counterparty	Commencement Date of the Contract	Contents	Restrictive Clauses
Loan Contract	Hua Nan Bank, Nangang Branch	2008.12.29-2023.12.29	Long-term Mortgage Loans	None
Loan Contract	Taiwan Business Bank, Nangang Branch.	2020.01.10-2035.01.10	Long-term Mortgage Loans	None
Loan Contract	Shanghai Commercial and Savings Bank, Zhongxiao Branch	2020.07.27-2025.07.27	Long-term Mortgage Loans	None
Loan Contract	First Commercial Bank, Nangang Branch	2016.10.13-2032.10.13	Long-term Mortgage Loans	None
Loan Contract	Bank of Taiwan, Nangang Branch	2022.06.15-2024.06.15	Long-term Mortgage Loans	None
Loan Contract	Shanghai Commercial and Savings Bank, Zhongxiao Branch	2022.06.28-2027.06.15	Long-term Mortgage Loans	None
Technical Cooperation Contract	Ayecka	End of cooperation on 2017/5/24	1. Service and Delivery Definition 2. Quality Confirmation 3. Delivery Confirmation 4. Payment Deadline 5. RMA Regulations 6. Penalty Definition	Both parties shall still comply with the terms of the contract for five years after termination.
Technical Cooperation Contract	Taiwan Small & Medium Enterprise Counseling Foundation (Taiwan SMECF)	From July 2020 to March 31, 2021	Cloud Server Human–Machine Collaboration Production Optimization Project	Penalty for breach of contract in accordance with Article 9 of the contract.
Plant Lease Contract	TienPin United Enterprise CO., LTD.	2020/10/01-2025/09/30	Leasing of plant	Terms agreed on in accordance with Article 7 of the contract
Material Supply Contract	Tainergy Tech. Co., Ltd. Sino-American Silicon Products Inc.	2007.09.14-2023.12.31	Silicon wafer supply	None
Development Contract	TAISIC MATERIALS CO. National Chung-Shan Institute of Science and Technology	2020.07.15-2025.12.31	Third-generation semiconductor technology development	None
Rental contract	Kunshan Huan-Shen-Zhi-Gu Technology Industrial Park Management Co., Ltd. Tainergy Tech. Co., Ltd.	2021.05.28~2036.05.27	Plant and office leasing	None
Lease contract	Tainergy Tech. Co., Ltd. KENMEC MECHANICAL ENGINEERING CO., LTD.	2020.11.01-2025.10.31	Plant and office leasing	None

Six. Overview of Finances

I. Condensed balance sheet and statement of comprehensive income for the most recent five years

1. Condensed Consolidated Balance Sheet – International Accounting Standards

Information unit: NTD thousand

Item \ Year		Financial information for the most recent 5 years (Note 1, Note 3)					Financial information for the current year up until March 31, 2023 (Note 2)
		2018	2019	2020	2021 (after restatement)	2022	
Current assets		5,904,597	5,204,429	5,402,476	5,639,392	5,817,164	5,415,017
Property, plant and equipment		3,910,559	3,234,084	3,308,834	2,550,447	2,388,132	2,422,155
Intangible assets		7,883	25,557	24,833	22,287	15,384	13,410
Other assets		1,476,512	1,778,198	1,515,380	2,286,871	2,874,308	2,831,941
Total assets		11,299,551	10,242,268	10,251,523	10,498,997	11,094,988	10,682,523
Current liabilities	Before distribution	3,911,252	2,984,487	3,561,801	4,397,840	4,147,075	4,068,345
	After distribution	3,911,252	2,984,487	3,561,801	4,793,058	Note 4	Note 4
Non-current liabilities		2,317,489	1,399,625	1,387,603	1,369,072	1,433,021	1,418,112
Total liabilities	Before distribution	6,228,741	4,384,112	4,949,404	5,766,912	5,580,096	5,486,457
	After distribution	6,228,741	4,384,112	4,949,404	6,162,130	Note 4	Note 4
Equity attributable to the owner of the parent company		3,329,734	4,540,569	3,997,356	3,384,847	3,607,808	3,278,625
Share capital		2,490,112	2,490,112	2,490,112	2,490,112	2,490,112	2,490,112
Capital reserves	Before distribution	961,723	887,095	903,455	604,226	293,869	293,869
	After distribution	961,723	887,095	903,455	209,008	Note 4	Note 4
Retained earnings	Before distribution	119,346	1,467,202	882,706	603,377	1,087,866	758,028
	After distribution	119,346	1,467,202	882,706	603,377	註 4	Note 4
Other equity		(215,165)	(272,727)	(278,917)	(263,272)	(241,247)	(240,592)
Treasury stocks		(26,282)	(31,113)	0	(49,596)	(22,792)	(22,792)
Non-controlling equity		1,741,076	1,317,587	1,304,763	1,347,238	1,907,084	1,917,441
Total equity	Before distribution	5,070,810	5,858,156	5,302,119	4,732,085	5,514,892	5,196,066
	After distribution	5,070,810	5,858,156	5,302,119	4,336,867	Note 4	Note 4

Note 1: The financial information for 2018–2022 has been audited by CPAs.

Note 2: The financial information for the first quarter of 2023 has been reviewed by CPAs.

Note 3: From Janurary 1, 2021, as the property, plant and equipment of the Company’s subsidiary reached the location and condition necessary for management’s intended operations, it is applicable to “Property, Plant and Equipment: Proceeds before Intended Use” (Amendments to IAS 16). Therefore, the 2021 financial statements have been retroactively restated.

Note 4: Numbers for after distribution are not disclosed as the Company has not yet held the annual general meeting as of the publication date of the annual report.

2. Condensed Balance Sheet – International Accounting Standards (Parent company only)

Information unit: NTD thousand

Item	Year	Financial information for the most recent 5 years (Note 1, Note 2)				
		2018	2019	2020	2021 (after restatement)	2022
Current assets		2,188,077	2,912,304	2,468,779	2,465,882	3,109,849
Property, plant and equipment		1,330,144	794,178	1,119,159	1,116,827	1,237,653
Intangible assets		6,319	5,868	7,168	4,949	13,638
Other assets		2,297,085	2,141,070	2,032,107	2,223,710	2,267,636
Total assets		5,821,625	5,853,420	5,627,213	5,811,368	6,628,776
Current liabilities	Before distribution	1,155,921	1,035,502	1,034,592	1,545,411	1,847,256
	After distribution	1,155,921	1,035,502	1,034,592	1,545,411	Note 3
Non-current liabilities		1,335,970	277,349	595,149	881,110	1,173,712
Total liabilities	Before distribution	2,491,891	1,312,851	1,629,741	2,426,521	3,020,968
	After distribution	2,491,891	1,312,851	1,629,741	2,426,521	Note 3
Equity attributable to the owner of the parent company		3,329,734	4,540,569	3,997,472	3,384,847	3,607,808
Share capital		2,490,112	2,490,112	2,490,112	2,490,112	2,490,112
Capital reserves		961,723	887,095	903,455	604,226	293,869
Retained earnings	Before distribution	119,346	1,467,202	882,822	603,377	1,087,866
	After distribution	119,346	1,467,202	882,822	603,377	Note 3
Other equity		(215,165)	(272,727)	(278,917)	(263,272)	(241,247)
Treasury stocks		(26,282)	(31,113)	0	(49,596)	(22,792)
Non-controlling interests		Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Total equity	Before distribution	3,329,734	4,540,569	3,997,472	3,384,847	3,607,808
	After distribution	3,329,734	4,540,569	3,997,472	3,384,847	Note 3

Note 1: The financial information for the most recent 5 fiscal years has been audited by CPAs.

Note 2: From Janurary 1, 2021, as the property, plant and equipment of the Company's subsidiary reached the location and condition necessary for management's intended operations, it is applicable to "Property, Plant and Equipment: Proceeds before Intended Use" (Amendments to IAS 16). Therefore, the 2021 financial statements have been retroactively restated.

Note 3: Numbers for after distribution are not disclosed as the Company has not yet held the annual general meeting as of the publication date of the annual report.

3. Condensed Income Statements – International Accounting Standards:

Information unit: NTD thousand; EPS: NTD

Item \ Year	Financial information for the most recent 5 years (Note 1, Note 3)					Financial information for the current year up until March 31, 2023 (Note 2)
	2018	2019	2020	2021 (after restatement)	2022	
Operating revenue	5,547,666	4,363,773	4,298,290	4,039,778	5,359,208	5,196,066
Realized operating gross profit	(196,044)	321,207	536,987	168,777	998,083	272,390
Operating profit and loss	(1,053,427)	(743,866)	(153,324)	(747,513)	53,025	45,305
Non-operating revenue and expenses	(307,725)	1,723,389	50,196	(160,376)	403,423	38,607
Profit before tax	(1,361,152)	979,523	(103,128)	(907,889)	456,448	83,912
Net profit of continuing operations for the period	(1,549,271)	995,096	(99,625)	(973,721)	443,750	79,825
Loss of discontinued operations	-	-	-	-	-	-
Net profit (loss) for the year	(1,549,271)	995,096	(99,625)	(973,721)	443,750	79,825
Other comprehensive income for the period (Net after tax)	(98,546)	(86,744)	(32,953)	39,956	53,236	3,234
Total comprehensive income for the period	(1,647,817)	908,352	(132,578)	(933,765)	496,986	83,059
Net profit attributable to the owner of parent company	(169,802)	1,345,203	(97,152)	(287,356)	470,074	72,047
Net profit attributable to non-controlling equity	(1,379,469)	(350,107)	(2,473)	(686,365)	(26,324)	7,778
Total comprehensive income attributable to the owner of the parent company	(223,161)	1,300,205	(98,292)	(269,562)	498,732	72,702
Total comprehensive income attributable to non-controlling equity	(1,424,656)	(391,853)	(34,286)	(664,203)	(1,746)	10,357
EPS	(0.68)	5.47	(0.39)	(1.16)	1.91	0.29

Note 1: The financial information for 2018–2022 has been audited by CPAs.

Note 2: The financial information for the first quarter of 2023 has been reviewed by CPAs.

Note 3: From Janurary 1, 2021, as the property, plant and equipment of the Company's subsidiary reached the location and condition necessary for management's intended operations, it is applicable to "Property, Plant and Equipment: Proceeds before Intended Use" (Amendments to IAS 16). Therefore, the 2021 financial statements have been retroactively restated.

4. Condensed Consolidated Income Statement – International Accounting Standards (Parent Company Only):

Information unit: NTD thousand; EPS: NTD

Item \ Year	Financial information for the most recent 5 years (Note 1, Note 3)				
	2018	2019	2020	2021 (after restatement)	2022
Operating revenue	1,700,701	1,007,179	950,584	1,350,130	2,260,178
Gross operating profit (Note 2)	544,603	387,214	241,892	340,703	633,906
Operating profit and loss	194,768	(83,357)	(48,778)	(6,314)	228,250
Non-operating revenue and expenses	(365,961)	1,437,464	(41,649)	(260,015)	238,595)
Profit before tax	(171,193)	1,354,107	(90,427)	(266,329)	466,845)
Net profit of continuing operations for the period	(169,802)	1,345,203	(97,152)	(287,356)	470,074
Loss of discontinued operations	–	–	–	–	–
Net profit (loss) for the year	(169,802)	1,345,203	(97,152)	(287,356)	470,074
Other comprehensive income for the period (Net after tax)	(53,359)	(44,998)	(1,140)	17,947	28,658
Total comprehensive income for the period	(223,161)	1,300,205	(98,292)	(269,409)	498,732
Net profit attributable to the owner of parent company	(223,161)	1,300,205	(98,292)	(269,409)	498,732
Net income attributable to non-controlling interests	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Total comprehensive income attributable to the owner of the parent company	(223,161)	1,300,205	(98,292)	(269,409)	498,732
Total comprehensive income attributable to non-controlling interests	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
EPS	(0.68)	5.47	(0.39)	(1.16)	1.91

Note 1: The financial information for the most recent 5 fiscal years has been audited by CPAs.

Note 2: The amount of operating profit includes the realized (unrealized) operating profit of affiliated companies.

Note 3: From Janurary 1, 2021, as the property, plant and equipment of the Company's subsidiary reached the location and condition necessary for management's intended operations, it is applicable to "Property, Plant and Equipment: Proceeds before Intended Use" (Amendments to IAS 16). Therefore, the 2021 financial statements have been retroactively restated.

5. CPAs and their audit opinions for the most recent five years

(1) CPAs and their audit opinions for the most recent five years

Year	Name of their firm	Name of CPA	Audit opinion
2018	Deloitte & Touche Taiwan	HUI-MING CHEN, MING-CHUNG HSIEH	Unqualified opinion
2019	Deloitte & Touche Taiwan	HUI-MING CHEN, LI-HUANG LI	Unqualified opinion
2020	Deloitte & Touche Taiwan	LI-HUANG LI, HUI-MING CHEN	Unqualified opinion
2021	Deloitte & Touche Taiwan	HUI-MING CHEN, LI-HUANG LI	Unqualified opinion
2022	Deloitte & Touche Taiwan	LI-HUANG LI, PO-JEN WENG	Unqualified opinion

(2) If there was change/replacement of the CPA within the most recent five fiscal years, explanation made by the company's previous and current CPA over the causes for such change/replacement shall be set forth:

The change of CPAs for the most recent 5 years was to accommodate the internal organizational adjustment, business restructuring of Deloitte & Touche Taiwan. The Company did not take the initiative to change the accounting firm.

II. Financial analysis for the most recent five years

1. Consolidated Financial Analysis – International Accounting Standards

Analysis item (Note 5) \ Year (Note 1, Note 4)		Financial information for the most recent five years					Financial information for the current year up until March 31, 2023 (Note 2)
		2018	2019	2020	2021 (after restatement)	2022	
Financial structure (%)	Ratio of liabilities to assets	55.12	42.80	48.28	54.93	50.29	51.36
	Ratio of long-term capital to property, plant and equipment	188.93	224.42	202.18	239.22	290.94	273.07
Solvency %	Current ratio	150.96	174.38	151.68	128.23	140.27	133.10
	Quick ratio	77.71	94.82	84.37	90.75	100.35	93.54
	Times interest earned	(16.42)	12.60	(0.34)	(15.26)	12.06	8.59
Operating ability	Accounts receivable turnover ratio (times)	4.21	4.93	6.26	7.39	10.35	14.47
	Average collection days	86.69	74.03	58.30	49.39	35.26	25.22
	Inventory turnover ratio (times) (Note 3)	-	-	-	-	-	-
	Accounts payable turnover ratio (times)	5.39	6.62	6.57	6.36	7.14	7.20
	Average sales days	-	-	-	-	-	-
	Property, plant and equipment turnover (times)	1.19	1.22	1.30	1.38	2.17	2.21
	Total asset turnover ratio (times)	0.43	0.41	0.42	0.39	0.50	0.50
Profitability	Return on assets (%)	(11.57)	9.87	(0.37)	(8.95)	4.42	3.26
	Return on equity ratio (%)	(26.06)	18.21	(1.79)	(19.41)	8.66	5.96
	Ratio of pre-tax income to paid-in capital (%)	(54.66)	39.34	(4.14)	(36.46)	18.33	13.48
	Net profit margin (%)	(27.93)	22.80	(2.32)	(24.10)	8.28	5.96
	EPS (NTD)	(0.68)	5.47	(0.39)	(1.16)	1.91	0.29
Cash flow	Cash flow ratio (%)	0.12	(3.91)	24.71	34.79	29.39	0.28
	Cash flow adequacy ratio (%)	74.65	59.40	26.61	78.13	122.03	120.68
	Cash reinvestment ratio (%)	(0.51)	(2.06)	3.43	13.17	8.91	0.13
Leverage	Operating leverage	0.24	0.14	(2.12)	0.45	7.77	3.40
	Financial leverage	0.93	0.90	0.67	0.93	4.52	1.32

Please explain the reason for the change in each financial ratio for the most recent two fiscal years. (Analysis may be exempted if the increase or decrease change does not reach 20%) 1. The increase in ratio of long-term capital to property, plant and equipment (%) was due to the increase in total equity in 2022. 2. The increase in times interest earned (times) was due to the increase in net income before income tax and interest expense in 2022. 3. The increase in accounts receivable turnover rate (times) was due to the increase in net sales in 2022. 4. The decrease in average collection days was due to the increase in receivables turnover rate in 2022. 5. The increase in property, plant and equipment turnover rate (times) was due to the increase in net sales in 2022. 6. The increase in total asset turnover rate (times) was due to the increase in net sales in 2022. 7. The increase in return on assets (%) was due to the increase in net income after tax in 2022. 8. The increase in return on equity (%) was due to the increase in net income after tax in 2022. 9. The increase in the ratio of net income before tax to paid-in capital (%) was due to the increase in net income before tax in 2022. 10. The increase in net income ratio (%) was due to the increase in net income after tax in 2022. 11. The increase in earnings per share (NTD) was due to the increase in net income attributable to the owners of the parent company in 2022. 12. The increase in cash flow (%) was due to the increase in net cash flow from operating activities in 2022. 13. The decrease in cash reinvestment ratio (%) was due to the increase in net cash flow from operating activities in 2022. 14. The increase in operating leverage was due to the increase in net operating income in 2022. 15. The increase in financial leverage was due to the increase in operating income in 2022.

Note 1: The financial information for 2018–2022 has been audited by CPAs.

Note 2: The financial information for the first quarter of 2023 has been reviewed by CPAs.

Note 3: The calculation of inventory turnover rate is not applicable as the Company’s inventories mainly consist of electronic parts and steel, machine parts, and construction in progress. As the nature of inventories varies largely and most of them are for construction work.

Note 4: From Janurary 1, 2021, as the property, plant and equipment of the Company’s subsidiary reached the location and condition necessary for management’s intended operations, it is applicable to “Property, Plant and Equipment: Proceeds before Intended Use” (Amendments to IAS 16). Therefore, the 2021 financial statements have been retroactively restated.

Note 5: The following formula should be presented at the end of this table in the annual report:

1. Financial structure
   (1) Ratio of liabilities to assets = Total liabilities / total assets.
   (2) (2) Ratio of long-term funds to property, plant, and equipment = (Total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency
   (1) Current ratio = Current assets / current liabilities.
   (2) Quick ratio = (Current assets - inventory - prepayment) / current liabilities.
   (3) Times interest earned = Net profit before income tax and interest expenses / interest expenses for the period.

3. Operating ability
   (1) Receivables (including accounts receivable and notes receivable from operations) turnover rate = Net sales / average of accounts receivable (including accounts receivable and notes receivable from operation) balance in each period.
   (2) Average collection days = 365 / receivables turnover ratio.
   (3) Inventory turnover ratio = Cost of sales / average inventory.
   (4) Payables (including accounts payable and notes payable from operations) turnover rate = Cost of sales / average of accounts payable (including accounts payable and notes payable from operation) balance in each period.

(5) Average sales days = 365 / inventory turnover ratio.
(6) Property, plant and equipment turnover ratio = Net sales / average net property, plant and equipment.
(7) Total assets turnover ratio = Net sales / average total assets.

4. Profitability
   (1) Return on assets = [Profit and loss after tax + interest expense × (1 - tax rate)] / average total assets.
   (2) Return on equity = Profit and loss after tax / average total equity.
   (3) Net profit margin = Profit and loss after tax / net sales.
   (4) EPS = (Profit and loss attributable to the owner of parent company - dividends from preferred shares) / weighted average number of outstanding shares. (Note 6)

5. Cash flow
   (1) Cash flow rate = Net cash flow from operating activities / current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years / (capital expenditure + increase in inventory + cash dividends) in the most recent five years.
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (gross of property, plant and equipment + long-term investment + other non-current assets + operating funds). (Note 7)

6. Leverage:
   (1) Operating leverage = (Net operating revenue – variable costs and expenses of operations) / operating profit (Note 8).
   (2) Financial leverage = Operating profit / (operating profit - interest expenses).

Note 6: The above formula for calculating earnings per shares should pay special attention to the following when measuring:
1. Based on the weighted average number of ordinary shares, rather than the number of shares issued at the end of the year.
2. Where there is a cash replenishment or treasury stock trading, the weighted average number of shares shall be calculated during the period of circulation.
3. Where there is a surplus to capital increase or capital surplus to capital increase, the calculation of the earnings per share for the previous year and half year should be adjusted by the proportion of capital increase, rather than the period the capital increase is issued.
4. If the preferred shares are non-convertible accumulative shares, its annual dividend (whether or not it is issued) shall be deductible from the net income or increased to net loss after tax. If the preferred shares are non-cumulative, then in the case of having a net profit after tax, the preferred dividend should be deducted from the net profit after tax; in the case of net loss after tax, no adjustments are required.

Note 7: Special attention should be paid to the following when analyzing cash flows:
1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow of capital flows.
3. The increase in inventories shall only be credited when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory is reduced at the end of the year, then the inventory amount should be accounted at zero.

4. Cash dividends include cash dividends for common stock and special shares.
5. Fixed assets means the total amount of Property, plant and equipment before deducting accumulated depreciation.

Note 8: The issuer shall distinguish between the operating costs and operating expenses being fixed or variable. When estimation or subjective judgment is involved, attention shall be paid to its rationality and consistency.

Note 9: The ratio of paid-in capital of foreign companies is calculated as a percentage of net worth.

Note 10: If the Company’s shares are no par or not in the denomination of NTD 10, the ratio of the paid in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company.

2. Financial analysis – International Accounting Standards (Parent company only)

Analysis item (Note 3)	Year (Note 1)	2018	2019	2020	2021	2022
		Financial analysis for the most recent five years				
Financial structure (%)	Ratio of liabilities to assets	42.8	22.43	28.96	41.75	45.57
	Ratio of long-term capital to property, plant and equipment	332.19	586.68	410.35	381.97	386.34
Solvency %	Current ratio	189.29	281.25	238.62	159.56	168.35
	Quick ratio	187.01	278.55	231.79	153.48	151.10
	Times interest earned	(5.33)	106.63	(7.75)	(22.29)	32.29
Operating ability	Accounts receivable turnover ratio (times)	6.19	4.79	5.53	9.12	15.44
	Average collection days	58.97	76.20	66.00	40.02	23.64
	Inventory turnover ratio (times) (Note 2)	-	-	-	-	-
	Accounts payable turnover ratio (times)	5.19	3.46	4.75	4.06	3.82
	Average sales days	-	-	-	-	-
	Property, plant and equipment turnover (times)	1.28	1.27	0.85	1.21	1.83
	Total asset turnover ratio (times)	0.29	0.17	0.17	0.23	0.34
Profitability	Return on assets (%)	(2.28)	23.22	(1.55)	(4.87)	7.75
	Return on equity ratio (%)	(4.85)	34.18	(2.28)	(7.79)	13.44
	Ratio of profit before tax to paid-in capital (%) (Note 7)	(6.87)	54.38	(3.63)	(10.70)	18.75
	Net profit margin (%)	(9.98)	133.56	(10.22)	(21.28)	20.80
	EPS (NTD)	(0.68)	5.47	(0.39)	(1.16)	1.91
Cash flow	Cash flow ratio (%)	24.64	2.02	(2.47)	48.99	1.79
	Cash flow adequacy ratio (%)	41.26	40.20	27.47	46.74	38.03
	Cash reinvestment ratio (%)	4.37	(2.09)	(10.96)	9.58	(7.98)
Leverage	Operating leverage	0.98	0.86	0.32	(8.11)	1.31
	Financial leverage	1.16	0.87	0.83	0.36	1.07

Please explain the reason for the change in each financial ratio for the most recent two fiscal years. (Analysis may be exempted if the increase or decrease change does not reach 20%)

1. Times interest earned (times) increased due to the increase in net income before tax in 2022.
2. The increase in accounts receivable turnover rate (times) was due to the increase in net sales in 2022.
3. The decrease in the average collection days was due to the increase in net sales in 2022.
4. The increase in property, plant and equipment turnover rate (times) was due to the increase in net sales in 2022.
5. The increase in total asset turnover rate (times) was due to the increase in net sales in 2022.
6. Return on assets ratio (%), return on equity ratio (%), net profit margin ratio (%), and EPS (%) increased due to the increase in net income after tax in 2022.
7. Ratio of profit before tax to paid-in capital (%) increased due to the increase in net profit before tax in 2022.
8. The decreases in cash flow ratio (%) and cash reinvestment ratio (%) were due to the decrease in net cash inflow from operating activities in 2022.
9. Operating leverage and financial leverage increased due to the increase in operating income in 2022.

Note 1: The financial information for the most recent fiscal years has been audited by CPAs.

Note 2: The calculation of inventory turnover rate is not applicable as the Company's inventories mainly consist of electronic parts and steel, machine parts, and construction in progress.

As the nature of inventories varies largely and most of them are for construction work.

Note 3: From Janurary 1, 2021, as the property, plant and equipment of the Company's subsidiary reached the location and condition necessary for management's intended operations, it is applicable to "Property, Plant and Equipment: Proceeds before Intended Use" (Amendments to IAS 16). Therefore, the 2021 financial statements have been retroactively restated.

Note 4: The following formula should be presented at the end of this table in the annual report:

1. Financial structure
   (1) Ratio of liabilities to assets = Total liabilities / total assets.
   (2) Ratio of long-term funds to property, plant and equipment = (Total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
   (1) Current ratio = Current assets / current liabilities.
   (2) Quick ratio = (Current assets - inventory - prepayment) / current liabilities.
   (3) Times interest earned = Net profit before income tax and interest expenses / interest expenses for the period.
3. Operating ability
   (1) Receivables (including accounts receivable and notes receivable from operations) turnover rate = Net sales / average of accounts receivable (including accounts receivable and notes receivable from operation) balance in each period.
   (2) Average collection days = 365 / receivables turnover ratio.
   (3) Inventory turnover ratio = Cost of sales / average inventory.
   (4) Payables (including accounts payable and notes payable from operations) turnover rate = Cost of sales / average of accounts payable (including accounts payable and notes payable from operation) balance in each period.
   (5) Average sales days = 365 / inventory turnover ratio.
   (6) Property, plant and equipment turnover ratio = Net sales / average net property, plant and equipment.
   (7) Total assets turnover ratio = Net sales / average total assets.
4. Profitability
   (1) Return on assets = [Profit and loss after tax + interest expense × (1 - tax rate)] / average total assets.
   (2) Return on equity = Profit and loss after tax / average total equity.
   (3) Net profit margin = Profit and loss after tax / net sales.
   (4) EPS = (Profit and loss attributable to the owner of parent company - dividends from preferred shares) / weighted average number of outstanding shares. (Note 4)
5. Cash flow
   (1) Cash flow rate = Net cash flow from operating activities / current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years / (capital expenditure + increase in inventory + cash dividends) in the most recent five years.
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (gross of property, plant and equipment + long-term investment + other non-current assets + operating funds). (Note 5)
6. Leverage:
   (1) Operating leverage = (Net operating revenue – variable costs and expenses of operations) / operating profit (Note 6).
   (2) Financial leverage = Operating profit / (operating profit - interest expenses).

Note 4: The above formula for calculating earnings per share should pay special attention to the following when measuring:

1. Based on the weighted average number of ordinary shares, rather than the number of shares issued at the end of the year.

2. Where there is a cash replenishment or treasury stock trading, the weighted average number of shares shall be calculated during the period of circulation.
3. Where there is a surplus to capital increase or capital surplus to capital increase, the calculation of the earnings per share for the previous year and half year should be adjusted by the proportion of capital increase, rather than the period the capital increase is issued.
4. If the preferred shares are non-convertible accumulative shares, its annual dividend (whether or not it is issued) shall be deductible from the net income or increased to net loss after tax. If the preferred shares are non-cumulative, then in the case of having a net profit after tax, the preferred dividend should be deducted from the net profit after tax; in the case of net loss after tax, no adjustments are required.

Note 5: Special attention should be paid to the following when analyzing cash flows:
1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow of capital flows.
3. The increase in inventories shall only be credited when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory is reduced at the end of the year, then the inventory amount should be accounted at zero.
4. Cash dividends include cash dividends for common stock and special shares.
5. Fixed assets means the total amount of Property, plant and equipment before deducting accumulated depreciation.

Note 6: The issuer shall distinguish between the operating costs and operating expenses being fixed or variables. When involved in the estimation or subjective judgments, one should pay attention to its rationality and consistency.

Note 7: If the Company's shares are no par or not in the denomination of NT10, the calculation of the ratio of the paid in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company.

III. Audit Committee's Audit Report on the financial report for the most recent fiscal year

KENMEC MECHANICAL ENGINEERING CO., LTD.
Audit Committee's Audit Report

The Board of Directors prepared and submitted the 2022 parent company only and consolidated financial statements of the Company, which were audited by Deloitte Taiwan as commissioned by the Board of Directors, with an audit report issued thereafter.

The parent company only financial statements, the consolidated financial statements stated above, alongside the business report and the motion for earnings allocation have been audited by the Audit Committee and no discrepancy with relevant regulations, such as the Company Act, has been found. We have presented you the reports based on the provisions stipulated in Article 14-4 in the Securities and Exchange Act and Article 219 in the Company Act.

Please acknowledge accordingly.
To
2023 Annual General Meeting of KENMEC MECHANICAL ENGINEERING CO., LTD.

Members of the Audit Committee: YI-YU LI

CHU-JU PENG

CHIEN-CHOU CHU

March 28, 2023

IV. Financial statements for the most recent year

Refer to pp. 114-212

V. Consolidated financial statements of parent and subsidiaries for the most recent year audited and certified by CPAs

Refer to pp. 213-324

VI. If the Company or any of its affiliated companies had, in the most recent year up to the publication date of this annual report, experienced financial distress, the impacts to the Company's financial position.

None.

Independent Auditors' Report

To KENMEC MECHANICAL ENGINEERING CO., LTD.:

Audit opinion

We audited the parent company only balance sheets of KENMEC MECHANICAL ENGINEERING CO., LTD. as of December 31, 2022 and 2021, parent company only statements of comprehensive income, parent company only statements of changes in equity and parent company only statements of cash flows for the periods from January 1 to December 31, 2022 and 2021, and the notes to the parent company only financial statements (including the summary of significant accounting policies).

In our opinion, the said parent company only financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and thus presented fairly, in all material aspects, the parent company only financial positions of KENMEC MECHANICAL ENGINEERING CO., LTD. as of December 31, 2022 and 2021, and the parent company only financial performance and cash flows for the periods from January 1 to December 31, 2022 and 2021.

Basis of Audit Opinions

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibilities under such standards are further described in the "CPA's responsibility for the audit of the parent company only financial statements" section in this report. We were independent of KENMEC MECHANICAL ENGINEERING CO., LTD. in accordance with the Norms of Professional Ethics for Certified Public Accountants and fulfilled all the other responsibilities thereunder. We believe that we acquired sufficient and appropriate audit evidence to use as the basis of our audit opinions.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the parent company only financial statements of KENMEC MECHANICAL ENGINEERING CO., LTD. for the year of 2022. Such matters were addressed during the overall audit of the parent company only financial statements and the process of forming the audit opinions, and thus we did not provide opinions separately regarding such matters.

The key audit matters in the audit of the parent company only financial statements of KENMEC MECHANICAL ENGINEERING CO., LTD. for the year of 2022 are as follows:

Project incomes recognized on the basis of stage of completion

As KENMEC is mainly engaged in contracting automation projects, its project income is recognized based on the degree of the completion of contracts. The estimated total cost of projects is an important factor in calculating the percentage of completion. The estimated total costs of projects and contract items are evaluated and judged by management based on the nature of projects, estimated contract amounts, project approaches and work methods. However, due to the long duration of the work period, the contracts are likely to be affected by fluctuations in prices of raw materials and labor, as well as addition/reduction of projects, making them subject to inherent risks of complexity. As there is a certain degree of subjectivity in these estimates, the calculation of the percentage of revenue from the completion of some projects may have errors or have a significant impact on the misinterpretation of revenue in each period. Therefore, the total estimated cost for project contracts is a material estimate and judgment of the Company, hence it is considered a key audit item. For accounting policies and disclosure information relevant to the recognition of construction incomes, see Notes 4, 5 and 24 to the financial statements.

For the above key audit matters, the audit procedures we performed are as follows:

1. To understand and test the Company's internal control procedures relevant to the preparation of the estimated total project cost.
2. To select samples and examine the documents of the Company's projects to confirm the reasonableness of the estimated total project cost.

Responsibilities of the Management and Governing Bodies for Parent Company Only Financial Statements

The management was responsible for preparation of the parent company only financial reports with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and maintaining the necessary internal control related to the preparation of the parent company only financial statements to ensure that the parent company only financial statements were free of material misstatement due to fraud or error.

During preparation of the parent company only financial statements, the management was also responsible for evaluating KENMEC MECHANICAL ENGINEERING CO., LTD.'s ability as a going concern, disclosure of relevant matters, and application of the going concern basis of accounting unless the management intended to liquidate KENMEC MECHANICAL ENGINEERING CO., LTD. or terminate its operations, or there were no other actual or feasible solutions other than liquidation or termination of its operations.

KENMEC MECHANICAL ENGINEERING CO., LTD.'s governance unit (including the Audit Committee) was responsible for supervising the financial reporting procedures.

Responsibilities of the Accountants for the Audit of the Parent Company Only Financial Statements

The purpose of our audit of the parent company only financial statements is to obtain reasonable assurance about whether the parent company only financial statements were free of material misstatements due to fraud or error, with an audit report issued thereafter. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. The misstatements might be due to fraud or error. If an individual or total amount misstated was reasonably expected to have an impact on the economic decision-making of users of the parent company only financial statements, the misstatement was deemed as material.

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also performed the following works:

1. We identified and assessed the risk of any misstatement in the parent company only financial statements due to fraud or error, designed and implemented response measures suitable for the evaluated risks, and acquired sufficient and appropriate audit evidence to use as the basis of our audit opinions. Fraud may involve collusion, forgery, omission on purpose, fraudulent statements or violation of internal control, and we did not find that the risk of material misstatement due to fraud was higher than the same due to error.
2. We understood the internal control related to the audit to an extent necessary to design audit procedures applicable to the current circumstances. However, the purpose of such work was not to express opinions regarding the effectiveness of KENMEC MECHANICAL ENGINEERING CO., LTD.'s internal control.
3. We evaluated the appropriateness of the accounting policies adopted by management and the rationality of the accounting estimates and relevant disclosure made by management.
4. We drew a conclusion about the appropriateness of the application of the going concern basis of accounting by the management and whether the events or circumstances which might cause major doubts about KENMEC MECHANICAL ENGINEERING CO., LTD.'s ability as a going concern had material uncertainties. If any material uncertainty was deemed to exist in such event or circumstance, we must provide a reminder in the parent company only financial statements for the users to pay attention to relevant disclosures therein, or amend our audit opinions when such disclosures were inappropriate. Our conclusion was drawn based on the audit evidence acquired as of the date of this audit report. However, future events or circumstances might result in a situation where KENMEC MECHANICAL ENGINEERING CO., LTD. would no longer have the ability to continue as a going concern.
5. We evaluated the overall presentation, structure, and contents of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements presented the relevant transactions and events fairly.

6. We acquired sufficient and appropriate audit evidence for the financial information of the entities forming KENMEC MECHANICAL ENGINEERING CO., LTD. to provide opinions regarding the parent company only financial statements. We were responsible for instruction, supervision and implementation of the audit cases, as well as formation of the audit opinions on KENMEC MECHANICAL ENGINEERING CO., LTD.

The matters for which we communicated with the governance unit include the planned audit scope and time, as well as major audit findings (including the significant deficiencies of the internal control identified during the audit).

We also provided a declaration of independence to the governance unit, which assured that we complied with the requirements related to independence in the Norm of Professional Ethics for Certified Public Accountant, and communicated all relationships and other matters (including relevant protective measures) which we deemed to be likely to cause an impact on the independence of CPAs to the governance unit.

We determined the key audit matters to be audited in KENMEC MECHANICAL ENGINEERING CO., LTD.'s parent company only financial statements in 2022 based on the matters communicated with the governance unit. We specified such matters in the audit report except when public disclosure of certain matters was prohibited by related laws or regulations, or when, in very exceptional circumstances, we determined not to cover such matters in the audit report as we could reasonably expect that the negative impact of the coverage would be greater than the public interest brought thereby.

Deloitte & Touche Taiwan
CPA LI-HUANG LI

CPA PO-JEN WENG

Approval No. from the Securities and Futures Commission
Tai-Cai-Zheng-Liu-Zi No. 0930128050

Approval No. from the Financial Supervisory Commission
Jin-Guan-Zheng-Shen-Zi No. 1010028123

March 28, 2023

KENMEC MECHANICAL ENGINEERING CO., LTD.
Parent Company Only Balance Sheet
December 31, 2022 and December 31 and January 1, 2021

Unit: NTD thousand

Code	Assets	December 31, 2022 Amount	%	December 31, 2021 (after restatement) Amount	%	January 1, 2021 (after restatement) Amount	%
	Current assets						
1100	Cash and cash equivalents (Note 6)	$ 845,636	13	$ 371,626	6	$ 207,070	4
1110	Financial assets measured at fair value through profit or loss – current (Note 7)	292,909	5	411,171	7	330,895	6
1136	Financial assets measured at amortized cost – current (Note 9)	284,677	4	197,076	3	206,071	4
1140	Contract assets – current (Notes 22 and 24)	543,469	8	314,344	5	256,168	4
1150	Notes receivable – non-related parties (Note 10)	3,194	-	436	-	275	-
1170	Accounts receivable – non-related parties (Note 10)	159,709	2	122,309	2	157,718	3
1180	Accounts receivable – related parties (Notes 10 and 34)	4,229	-	2,637	-	12,184	-
1200	Other receivables (Note 10)	19,252	-	3,162	-	1,475	-
1210	Other receivables – related parties (Notes 10 and 34)	444,296	7	806,093	14	1,053,495	19
1220	Current income tax assets (Note 26)	9,220	-	-	-	7,595	-
130X	Inventory (Note 11)	226,137	4	49,796	1	20,392	-
1429	Prepayments (Note 16)	92,450	1	44,214	1	50,357	1
1470	Other current assets (Notes 16 and 35)	184,671	3	143,018	3	165,084	3
11XX	Total current assets	3,109,849	47	2,465,882	42	2,468,779	44
	Non-current assets						
1510	Financial assets measured at fair value through profit or loss – non-current (Note 7)	86,436	1	74,100	1	44,141	1
1517	Financial assets measured at fair value through other comprehensive income – non-current (Note 8)	38,368	1	35,805	1	28,145	-
1535	Financial assets measured at amortized cost – non-current (Note 9)	70,049	1	33,904	1	26,752	-
1550	Investment under the equity method (Note 12)	1,279,462	19	1,279,888	22	1,393,969	25
1600	Property, plants and equipment (Notes 13 and 35)	1,237,653	19	1,116,827	19	1,119,159	20
1755	Right-of-use assets (Note 14)	360,423	5	365,128	7	8,979	-
1780	Other intangible assets (Note 15)	13,638	-	4,949	-	7,168	-
1840	Deferred income tax assets (Note 26)	176,918	3	187,834	3	201,308	4
1990	Other non-current assets (Notes 10, 16 and 35)	255,980	4	247,051	4	328,813	6
15XX	Total non-current assets	3,518,927	53	3,345,486	58	3,158,434	56
1XXX	Total assets	$ 6,628,776	100	$ 5,811,368	100	$ 5,627,213	100
Code	Liabilities and equity						
	Current liabilities						
2100	Short-term loans (Note 17)	$ -	-	$ 20,000	1	$ 200,000	4
2130	Contract liabilities – current (Notes 22 and 24)	1,003,527	15	971,393	17	522,798	9
2150	Notes payable – non-related parties (Note 18)	1,348	-	231	-	208	-
2170	Accounts payable – non-related parties (Note 18)	473,684	7	334,361	6	147,885	3
2180	Accounts payable – related parties (Note 18 and 34)	25,816	1	12,734	-	2,962	-
2219	Other payables (Note 19)	216,734	3	129,969	2	106,503	2
2220	Other accounts payables – related parties (Notes 19 and 34)	-	-	-	-	138	-
2230	Current income tax liabilities (Note 26)	-	-	5,225	-	14,842	-
2250	Liability reserve – current (Note 20)	21,740	1	12,985	-	19,580	-
2280	Lease liabilities – current (Note 14)	14,539	-	397	-	4,792	-
2320	Long-term loans maturing within one year (Note 17)	81,279	1	54,323	1	11,784	-
2399	Other current liabilities	8,589	-	3,793	-	3,100	-
21XX	Total current liabilities	1,847,256	28	1,545,411	27	1,034,592	18
	Non-current liabilities						
2540	Long-term loans (Note 17)	789,593	12	477,715	8	446,817	8
2580	Lease liabilities – non-current (Note 14)	266,119	4	264,811	5	-	-
2570	Deferred income tax liabilities (Note 26)	56,552	1	60,605	1	56,330	1
2640	Net defined benefit liabilities – non-current (Note 21)	55,836	1	72,246	1	86,165	2
2670	Other non-current liabilities (Note 19)	5,612	-	5,733	-	5,837	-
25XX	Total non-current liabilities	1,173,712	18	881,110	15	595,149	11
2XXX	Total liabilities	3,020,968	46	2,426,521	42	1,629,741	29
	Equity (Note 23)						
3110	Common stock capital	2,490,112	38	2,490,112	43	2,490,112	44
3200	Capital reserves	293,869	4	604,226	10	903,455	16
	Retained earnings						
3310	Legal reserves	134,786	2	134,786	2	134,786	2
3320	Special reserves	319,117	5	328,572	6	328,572	6
3350	Undistributed earnings	633,963	9	140,019	2	419,464	8
3300	Total retained earnings	1,087,866	16	603,377	10	882,822	16
	Other equity						
3410	Exchange differences on translation of financial statements of foreign operations	(229,740)	(4)	(256,306)	(4)	(264,268)	(5)
3420	Unrealized profit/loss on valuation of financial assets measured at fair value through other comprehensive income	(11,507)	-	(6,966)	-	(14,649)	-
3400	Total of other equity	(241,247)	(4)	(263,272)	(4)	(278,917)	(5)
3500	Treasury stocks	(22,792)	-	(49,596)	(1)	-	-
31XX	Total equity	3,607,808	54	3,384,847	58	3,997,472	71
	Total liabilities and equity	$ 6,628,776	100	$ 5,811,368	100	$ 5,627,213	100

The attached notes are part of the parent company only financial reports.

Chairman: CHING-FU HSIEH Manager: CHING-FU HSIEH Accounting Manager: CHIN-I LAI

KENMEC MECHANICAL ENGINEERING CO., LTD.
Parent Company Only Statement of Comprehensive Income
January 1 to December 31, 2022 and 2021

Unit: NTD thousand; however earnings (loss) per share is in NTD

Code		2022 Amount	2022 %	2021 (after restatement) Amount	2021 (after restatement) %
	Operating revenue (Notes 5, 24 and 34)				
4100	Sales revenue	$ 5,521	-	$ 5,839	-
4520	Project income	2,206,095	98	1,292,735	96
4600	Service income	48,562	2	51,556	4
4000	Total operating revenue	2,260,178	100	1,350,130	100
	Operating costs (Notes 11, 21 and 34)				
5110	Cost of sales	(2,936)	-	(2,707)	-
5520	Project cost	(1,566,762)	(69)	(964,489)	(72)
5600	Service cost	(39,373)	(2)	(38,344)	(3)
5800	Other operating costs	(11,740)	(1)	(5,809)	-
5000	Total operating costs	(1,620,811)	(72)	(1,011,349)	(75)
5900	Operating gross profit	639,367	28	338,781	25
5910	Unrealized profits/losses from subsidiaries, associates and joint ventures (Note 34)	(35,676)	(1)	(23,978)	(2)
5920	Realized profits/losses from subsidiaries, associates and joint ventures (Note 34)	30,215	1	25,900	2
5950	Realized operating gross profit	633,906	28	340,703	25
	Operating expenses (Notes 10, 21 and 34)				
6100	Marketing expense	(142,064)	(6)	(105,537)	(8)
6200	Administrative expense	(170,478)	(8)	(143,441)	(11)
6300	R&D expense	($ 102,269)	(4)	($ 70,168)	(5)
6450	Expected credit impairment recovery profit (loss)	9,155	-	(27,871)	(2)
6000	Total operating expenses	(405,656)	(18)	(347,017)	(26)

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Code		2022 Amount	2022 %	2021 (after restatement) Amount	2021 (after restatement) %
6900	Operating profit (loss) – net	228,250	10	(6,314)	(1)
	Non-operating revenue and expenses (Notes 25 and 34)				
7100	Interest income	35,582	2	34,214	3
7010	Other revenue	37,922	2	48,749	4
7020	Other profits and losses	41,254	2	33,125	2
7050	Financial costs	(14,922)	(1)	(11,241)	(1)
7070	Share of profit/loss of subsidiaries, associates and joint ventures under the equity method	138,759	6	(364,862)	(27)
7000	Total non-operating revenue and expenses	238,595	11	(260,015)	(19)
7900	Net profit (loss) before tax	466,845	21	(266,329)	(20)
7950	Income tax profit (expense) (Note 26)	3,229	-	(21,027)	(1)
8200	Current net profit (loss)	470,074	21	(287,356)	(21)
	Other comprehensive income (Notes 21, 23 and 26)				
	Titles not reclassified as profit or loss:				
8311	Remeasurement of defined benefit plans	16,088	-	9,305	1
8316	Unrealized valuation profit/loss on investment in equity instruments measured at fair value through other comprehensive income	(5,352)	-	7,660	-

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Code		2022 Amount	2022 %	2021 (after restatement) Amount	2021 (after restatement) %
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures under the equity method	$ 2,603	-	$ 468	-
8349	Income tax relating to non-reclassified items	(3,219)	-	(1,862)	-
8310		10,120	-	15,571	1
	Titles likely to be reclassified as profit or loss subsequently:				
8361	Exchange differences on translation of financial statements of foreign operations	7,536	-	6,511	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures under the equity method	12,192	1	(2,833)	-
8399	Income tax related to items likely to be reclassified	(1,190)	-	(1,302)	-
8360		18,538	1	2,376	-
8300	Total other comprehensive income (net) for the year	28,658	1	17,947	1
8500	Total comprehensive income for the year	$ 498,732	22	($ 269,409)	(20)
	Earnings (losses) per share (Note 27)				
9710	Basic	$ 1.91		($ 1.16)	
9810	Diluted	$ 1.89		($ 1.16)	

The attached notes are part of the parent company only financial reports.

Chairman: CHING-FU HSIEH

Manager: CHING-FU HSIEH

Accounting Manager: CHIN-I LAI

KENMEC MECHANICAL ENGINEERING CO., LTD.
Parent Company Only Statement of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

Code		Share capital: Number of shares (thousand shares)	Share capital: Amount	Capital reserves	Retained earnings: Legal reserves	Retained earnings: Special reserves	Retained earnings: Undistributed earnings	Other equity: Exchange differences on translation of financial statements of foreign operations	Other equity: Unrealized profit/loss on valuation of financial assets measured at fair value through other comprehensive income	Treasury stocks	Total equity
A1	Balance on January 1, 2021	249,011	$ 2,490,112	$ 903,455	$ 134,786	$ 328,572	$ 419,348	($ 264,268)	($ 14,649)	$ -	$ 3,997,356
A3	Effects of retroactive applications and retroactive restatement	-	-	-	-	-	116	-	-	-	116
A5	Balance after restatement on January 1, 2021	249,011	2,490,112	903,455	134,786	328,572	419,464	(264,268)	(14,649)	-	3,997,472
	Other changes in capital reserves										
C15	Cash dividends distributed from capital reserves	-	-	(370,517)	-	-	-	-	-	-	(370,517)
M5	Actual acquisition or disposal of part of interests in subsidiaries	-	-	66,032	-	-	-	5,586	23	-	71,641
M7	Changes in ownership interests in subsidiaries	-	-	5,256	-	-	-	-	-	-	5,256
D1	Net loss in 2021	-	-	-	-	-	(287,356)	-	-	-	(287,356)
D3	Other comprehensive income after tax in 2021	-	-	-	-	-	7,911	2,376	7,660	-	17,947
D5	Total comprehensive income in 2021	-	-	-	-	-	(279,445)	2,376	7,660	-	(269,409)
L1	Treasury stocks purchased	-	-	-	-	-	-	-	-	(49,596)	(49,596)
Z1	Balance on December 31, 2021	249,011	2,490,112	604,226	134,786	328,572	140,019	(256,306)	(6,966)	(49,596)	3,384,847
	Allocation and distribution of earnings in 2021										
B3	Special reserves	-	-	-	-	(9,455)	9,455	-	-	-	-
B5	Cash dividends to shareholders	-	-	(395,218)	-	-	-	-	-	-	(395,218)
M3	Disposal of subsidiaries using the equity method	-	-	-	-	-	-	7,960	-	-	7,960
	Other changes in capital reserves										
C7	Changes regarding associates and joint ventures under equity method	-	-	-	-	-	(247)	-	-	-	(247)
M5	Actual acquisition or disposal of part of interests in subsidiaries	-	-	(9,716)	-	-	-	68	1	-	(9,647)
M7	Changes in ownership interests in subsidiaries	-	-	89,230	-	-	-	-	-	-	89,230
N1	Employee stock options issued by the Company	-	-	5,347	-	-	-	-	-	74,841	80,188
Q1	Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	(810)	-	810	-	-
D1	Net profit in 2022	-	-	-	-	-	470,074	-	-	-	470,074
D3	Other comprehensive income after tax in 2022	-	-	-	-	-	15,472	18,538	(5,352)	-	28,658
D5	Total comprehensive income in 2022	-	-	-	-	-	485,546	18,538	(5,352)	-	498,732
L1	Treasury stocks purchased	-	-	-	-	-	-	-	-	(48,037)	(48,037)
Z1	Balance on December 31, 2022	249,011	$ 2,490,112	$ 293,869	$ 134,786	$ 319,117	$ 633,963	($ 229,740)	($ 11,507)	($ 22,792)	$ 3,607,808

The attached notes are part of the parent company only financial reports.

Chairman: CHING-FU HSIEH　　Manager: CHING-FU HSIEH　　Accounting Manager: CHIN-I LAI

KENMEC MECHANICAL ENGINEERING CO., LTD.
Parent Company Only Statement of Cash Flow
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

Code		2022	2021 (after restatement)
	Cash flow from operating activities		
A10000	Net profit (loss) before tax in the year	$ 466,845	($ 266,329)
A20010	Profit and expense/loss:		
A20100	Depreciation expenses	52,577	50,310
A20200	Amortization expenses	3,670	4,427
A20300	Expected credit impairment recovery profit (loss)	(9,155)	27,871
A20400	Net loss (profit) on financial assets and liabilities measured at fair value through profit or loss	6,719	(49,537)
A20900	Financial costs	14,922	11,241
A21200	Interest income	(35,582)	(34,214)
A21300	Dividend revenue	(2,097)	(1,955)
A21900	Compensation cost of employee stock options	5,303	-
A22500	Profit on disposal of property, plants and equipment	(68)	-
A22400	Share of profit/loss of subsidiaries, associates and joint ventures under the equity method	(138,759)	364,862
A23200	Loss on disposal of investment under the equity method	384	-
A23700	Loss on inventory devaluation and obsolescence	1,144	227
A23900	Unrealized profits/losses from subsidiaries, associates and joint ventures	35,676	23,978
A24000	Realized profits/losses from subsidiaries, associates and joint ventures	(30,215)	(25,900)
A29900	Profit (loss) on lease modification	-	(5)
A30000	Net changes in operating assets and liabilities		
A31125	Contract assets	(322,079)	(61,257)
A31130	Notes receivable	(2,758)	(161)
A31150	Accounts receivable	(28,245)	7,538
A31160	Accounts receivable – related parties	(1,592)	9,547
A31180	Other receivables	(286)	(977)
A31190	Other receivables – related parties	69	(224)
A31200	Inventory	(177,485)	(29,631)
A31230	Prepayments	(48,236)	6,143
A31240	Other current assets	(52,734)	32,366
A31250	Other non-current assets	9,468	11,619

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Code		2022	2021 (after restatement)
A32125	Contract liabilities	$ 32,134	$ 448,595
A32130	Notes payable	1,117	23
A32150	Accounts payable	139,323	186,476
A32160	Accounts payable – related parties	13,082	9,772
A32180	Other payables	79,697	28,430
A32190	Other payables – related parties	-	(138)
A32200	Liability reserve	8,755	(6,595)
A32230	Other current liabilities	4,796	693
A32240	Net defined benefit liabilities	(322)	(4,614)
A33000	Cash generated from operations	26,068	742,581
A33100	Interest received	30,687	34,296
A33300	Interest paid	(14,922)	(11,241)
A33500	Income tax paid	(8,762)	(8,464)
AAAA	Net cash inflow from operating activities	33,071	757,172
	Cash flows from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(7,500)	-
B00040	Acquisition of financial assets measured at amortized cost	(123,746)	-
B00050	Disposal of financial assets measured at amortized cost	-	1,843
B00100	Acquisition of financial assets measured at fair value through profit or loss	(1,360,683)	(1,820,801)
B00200	Disposal of financial assets measured at fair value through profit or loss	1,459,890	1,775,103
B01800	Acquisition of investment under the equity method	(79,400)	(168,608)
B02300	Net cash inflow from disposal of subsidiaries	-	792
B02400	Repatriation of earnings of subsidiaries	320,674	-
B02700	Purchase of property, plants and equipment	(41,190)	(40,913)
B02800	Proceeds from disposal of property, plant and equipment	84	-
B03800	Decrease in guarantee deposits paid	10,131	116,734
B04100	Other receivables	(10,909)	(792)
B04300	Other receivables – related parties	361,728	247,626
B04500	Purchase of intangible assets	(12,359)	(2,208)
B05350	Acquisition of right-of-use assets	-	(97,572)
B07100	Increase in prepayments for equipment	(21,466)	(61,286)
B07600	Dividends received	2,097	1,955
BBBB	Net cash inflow (outflow) from investing activities	497,351	(48,127)

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Code		2022	2021 (after restatement)
	Cash flows from financing activities		
C01700	Repayment of long-term loans	($ 64,796)	($ 26,563)
C01600	Borrowing of long-term loans	403,630	100,000
C00200	Decrease in short-term loans	(20,000)	(180,000)
C03100	Decrease in guarantee deposits received	(121)	(104)
C04020	Repayment of the principal of leases	(8,033)	(17,709)
C04500	Payment of dividends	(395,218)	(370,517)
C04900	Payment of costs of transactions in treasury stocks	(225)	-
C09900	Purchase of treasury stocks	(48,037)	(49,596)
C05100	Purchase of treasury stocks by employees	74,841	-
C05500	Disposal of equity in subsidiaries	1,547	-
CCCC	Net cash outflow from financing activities	(56,412)	(544,489)
EEEE	Net increase in cash and cash equivalents	474,010	164,556
E00100	Balance of cash and cash equivalents at beginning of the year	371,626	207,070
E00200	Balance of cash and cash equivalents at ending of the year	$ 845,636	$ 371,626

The attached notes are part of the parent company only financial reports.

Chairman: CHING-FU HSIEH

Manager: CHING-FU HSIEH

Accounting Manager: CHIN-I LAI

KENMEC MECHANICAL ENGINEERING CO., LTD.
Notes to the Parent Company Only Financial Statements
January 1 to December 31, 2022 and 2021
(All amounts are in NTD thousand unless otherwise specified.)

I. Company milestones

KENMEC MECHANICAL ENGINEERING CO., LTD. (hereinafter referred to as the Company) was established in July 1976 focusing on the design, machining, manufacturing and trading of industrial machines and steel angle frames; import and export of machinery, hardware, office equipment, and electric machinery; machining, manufacturing and trading of transfer lines, robot production lines, flexible manufacturing systems, automatic conveyors, automatic pallet stackers, automatic warehousing equipment, unmanned trucks, and robotic arms; manufacturing, machining and trading of computer and optical communication products and their components; agent of domestic and foreign manufacturers for manufacturing, trading, quoting and bidding of the aforementioned products.

The Company has traded on Taipei Exchange as of January 23, 2002.

The parent company only financial report is expressed in New Taiwan dollars, the functional currency of the Company.

II. Approval date and procedures of the financial report

The parent company only financial report was approved at the board meeting on March 10, 2023.

III. Application of new and amended standards and interpretation

(I) The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations (IFRIC) and the statements of interpretation (SIC) (hereinafter collectively referred to as "IFRSs") approved and released by the Financial Supervisory Commission (hereinafter referred to as "FSC") are applied for the first time.

Apart from those described below, we expect no other material changes to the accounting policies of the Company after adopting the amended IFRSs approved and released by the FSC.

<u>Amendments to IAS 16, "Property, Plant and Equipment: Proceeds before Intended Use"</u>

The amendment stipulates that it is inappropriate that the sale proceeds of the items developed in order to bring property, plant and equipment to the location and condition necessary to meet the operation as expected by management are stated as a deduction from the cost of the assets. The items mentioned above shall be measured based on IAS 2 "Inventory," and the sale proceeds and costs of such items shall be recognized as profit or loss according to the applicable standards.

The amendment is applied to the plants, property and equipment in the location and condition necessary to achieve the operation as expected by the management after January 1, 2021. If the Company adopts the amendment for the first time, the information related to the comparative periods shall be restated.

For the effects on 2021 upon first adoption of the amendments, please see Note 3 of the 2022 consolidated financial report.

(II) FSC-approved IFRSs to be applied in 2023

New/Amended/Revised Standards and Interpretation	Effective Date per IASB
Amendments to IAS 1, "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8, "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12, "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: This amendment applies to annual reporting periods after January 1, 2023.
Note 2: This amendment applies to changes in accounting estimates and accounting policies that occur in annual reporting periods after January 1, 2023.
Note 3: The amendments apply to transactions that occur after January 1, 2022, except for the recognition of deferred tax for all temporary differences related to leases and decommissioning obligations as of January 1, 2022.

1. Amendments to IAS 1, "Disclosure of Accounting Policies"

The amendments require the Company to determine the significant accounting policy information to be disclosed according to the definition of materiality. If the accounting policy information is reasonably expected to have an impact on the decision made by the main user of general-purpose financial statements who uses these financial statements to make such decision, the accounting policy information is deemed material. The amendments also clarify the following:

- The accounting policy information related to insignificant transactions or other matters or circumstances is not material and the Company is not required to disclose this accounting policy.
- The Company may make judgment according to the nature of a transaction or other matters or circumstances and determine that related accounting policy information is material, even if the amount is insignificant.
- The accounting policy information not related to significant transactions or other matters or circumstances is material.

In addition, the amendments give an example to explain that the accounting policy information related to significant transactions or other matters or circumstances may be material in the following cases:

(1) The Company changes the accounting policy during the reporting period and the change leads to material changes of the information in the financial statements;
(2) The Company selects applicable accounting policies from the options allowed in the Standards;
(3) In case there is no specific standards to follow, the Company adopts the accounting policies established according to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";
(4) The Company discloses the accounting policies that are determined using significant judgments or assumptions; or
(5) Complicated accounting treatment rules are involved and the user of the financial statements relies on the information to understand significant transactions or other matters or circumstances.

2. Amendments to IAS 8, "Definition of Accounting Estimates"

The amendments define accounting estimates as the currency amount affected by measurement uncertainty in the financial statements. When applying accounting policies, the Company may need to measure the items in the financial statements using the currency amount that cannot be observed directly and must be estimated. When measuring the effect of the changes in technique or input value on accounting estimates, they shall be the changes in accounting estimates if they are not the correction of the previous errors.

Up to the approval and release date of the parent company only financial report, the Company assessed that the effects of the amendments to other standards and interpretations will not have a material impact on the financial position and financial performance.

(III) IFRSs issued by the IASB but not yet approved and released by the FSC

New/Amended/Revised Standards and Interpretation	Effective Date per IASB (Note 1)
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and their Associate or Joint Venture"	Undetermined
IFRS 16 amendment "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17, "Initial application of IFRS 17 and IFRS 9 – Comparative Information"	January 1, 2023
Amendments to IAS 1, "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1, "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless otherwise specified, the above-mentioned new/amended/revised standards or interpretation shall become effective in the annual reporting periods beginning on or after each effective date for such standards or interpretation.

Note 2: A seller-lessee should apply the amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (amendment in 2020) and "Non-current Liabilities with Covenants" (amendment in 2022)

The amendment in 2020 specifies that when determining whether liabilities are classified as non-current liabilities, it shall be assessed whether the Company, at the end of a reporting period, has a right to extend the due date of the liabilities by at least 12 months after the reporting period. If the Company has such right at the end of the reporting period, the liabilities are classified as non-current liabilities no matter whether the Company is expected to exercise the right.

The amendment in 2020 clarifies that if the Company shall complete certain requirements to have the right to defer the settlement of liabilities, the Company must have followed the requirements before the end of a reporting period; the same shall apply even if the lender checks the Company's compliance with such requirements on a later date. The amendment in 2022 further clarifies that only covenants that are required to be followed prior to the reporting period end date affect the classification of the liability. Although the covenants to be followed within 12 months after the reporting period do not affect the classification of liabilities, relevant information must be disclosed to enable users of the financial statements to understand that the Company may not be able to comply with the covenants and be required to make repayments within 12 months after the reporting period.

The amendment in 2020 regulates that, for the purpose of liability classification, the aforementioned settlement of liabilities refers to a transfer of cash, other economic resources or the Company's equity instruments to the counterpart to eliminate the liabilities. However, if the terms and conditions of liabilities may, at the option of the counterparty, result in settlement of the liabilities by the transfer of the Company's equity instruments, and the option is recognized as equity separately in accordance with IAS 32 "Financial Instruments: Presentation," the aforementioned terms and conditions do not affect the classification of the liabilities.

Except for the above-mentioned effects, up to the approval and release date of the parent company only financial reports, the Company assesses the effects of the amendments to other standards and interpretations on the financial position and performance on a continuous basis. The relevant effects are disclosed after the assessment.

IV. Summary of significant accounting policies

(I) Statement of compliance

The parent company only financial reports were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

(II) Basis for preparation

Except for the financial instruments measured at fair value and the net defined benefit liabilities recognized at the present value of defined benefit obligations less the fair value of the planned assets, the parent company only financial reports were prepared on the basis of historical cost.

Fair value measurements are classified into Levels 1, 2, and 3 based on the degree to which an input is observable and the significance of the input:

1. Level 1 inputs: refer to quoted prices in an active market for identical assets or liabilities that are accessible on the measurement date (before adjustment).
2. Level 2 inputs: refer to the inputs, other than the quoted prices included in Level 1, that are observable for assets or liabilities directly (namely, the price) or indirectly (namely, presumed from the price).
3. Level 3 inputs: refer to the inputs that are not observable for assets or liabilities.

During preparation of the parent company only financial reports, the Company adopted the equity method for investment in subsidiaries, associates, or joint ventures. To align the profit or loss, other comprehensive income and equity of the period in the parent company only financial reports with the profit or loss, other comprehensive income and equity of the year attributable to the owner of the Company in the parent company only financial reports, the differences between the accounting treatments under the parent company only and consolidated bases were treated through adjustment of related equity items, including "investment under the equity method," "share of profit/loss of subsidiaries, associates and joint ventures under the equity method," "share of other comprehensive income of subsidiaries, associates, and joint ventures."

(III) Classification of current and non-current assets and liabilities

Current assets include:

1. assets held mainly for the purpose of trading;
2. assets expected to be realized within 12 months after the balance sheet date; and
3. cash or cash equivalents (excluding those that are restricted for being used for exchange or settlement of liabilities within 12 months after the balance sheet date).

Current liabilities include:

1. liabilities held mainly for the purpose of trading;
2. liabilities to be settled within 12 months after the balance sheet date, (irrelevant whether any long-term re-financing or payment re-arrangement agreement has been completed after the balance sheet date and before the date of release of financial reports; such liabilities are still current liabilities); and
3. liabilities whose due date cannot be unconditionally extended by more than 12 months after the balance sheet date. However, the terms and conditions of the liabilities that may, at the option of the counterparty, result in settlement of the liabilities by issuance of equity instruments do not affect the classification of liabilities.

Assets or liabilities that are not the above-mentioned current assets or current liabilities are classified as non-current assets or non-current liabilities.

For the part of the Company responsible for the construction work with an operating cycle longer than a year, assets and liabilities with respect to the construction business are classified as current or non-current with the normal operating cycle as the standard.

(IV) Foreign currency

During preparation of the financial reports, the transactions using currencies other than the Company's functional currency (foreign currencies) were stated in the functional currency record based on the exchange rate on the date of transaction.

Monetary foreign currency items are translated at the closing exchange rate on each balance sheet date. Exchange differences arising from settlement or translation of the monetary items are recognized as profit or loss in the current period.

Non-monetary foreign currency items measured at fair value are translated at the exchange rate on the date of determining the fair value, and the exchange differences resulting therefrom are recognized as profit or loss in the current period. However, when changes in the fair value are recognized as other comprehensive income, the exchange differences arising therefrom are stated as the same.

Non-monetary foreign currency items measured at historical cost are translated at the exchange rate on the date of transaction and are not retranslated.

During preparation of the parent company only financial reports, the assets and liabilities of foreign operations (including the subsidiaries, associates, joint ventures or branches with countries in which they operate or currencies they use different from those of the Company) were translated into NTD at the exchange rate on each balance sheet date. The income and expense items are translated at the average exchange rate of the period, and the exchange differences resulting therefrom are recognized as other comprehensive income.

If the Company disposes all the interests of foreign operations or disposes their partial interest in a subsidiary and lose the control thereover, or the retained equity interest after disposal of the joint agreements or associates of the foreign operations is stated as financial assets and treated with the same accounting policy as the one for financial instruments, all the accumulated exchange differences related to the foreign operations are reclassified as profit or loss.

When partial disposal of the subsidiary of the foreign operations does not lead to loss of control, any accumulated exchange differences are incorporated in proportion in the calculation of equity transactions but not recognized as profit or loss. For any other partial disposal of foreign operations, any accumulated exchange differences are reclassified as profit or loss based on the proportion of the disposal.

(V) Inventory

Inventory included raw materials, work-in-progress goods and finished goods. The inventory is measured based on the lower of the cost or net realizable value. The cost and the net realizable value are compared on the basis of the individual items except for the inventories of the same type. Net realizable value refers to the estimated selling price in a normal situation less the estimated cost needed to complete the work and the estimated cost needed to complete the sale. The weighted average method is used to calculate the inventory cost.

(VI) Investment in subsidiaries

The Company deals with the investment in subsidiaries using the equity method.

A subsidiary refers to an entity (including a structured entity) controlled by the Company.

Under the equity method, the investment is initially recognized at its costs, and the amount of increase or decrease in the book value of such investment after the date of acquisition depends on the Company's shares of profits/losses and other comprehensive income in subsidiaries and the distributed profits. In addition, changes to the Company's equity in the subsidiaries are recognized based on the shareholding ratio.

Changes to the Company's equity ownership in the subsidiaries are deemed equity transactions when they do not result in loss of control. The difference between the book value of investment and the fair value of paid or received consideration is directly recognized in equity.

When the Company's shares of losses in the subsidiaries are equal to or exceed our equity in the subsidiaries (including the subsidiary's carrying amount under the equity method and other long-term equities that in nature are part of the net investment portfolio made by the Company in the subsidiary concerned), we continue recognition for losses based on our shareholding ratio.

When the acquisition cost exceeds the Company's shares of the net fair value of the subsidiaries' identifiable assets and liabilities comprising part of the business on the date of acquisition, such excess is recognized in goodwill which is included in the book value of such investment and may not be amortized; when the Company's shares of the net fair value of the subsidiaries' identifiable assets and liabilities comprising part of the business on the date of acquisition exceed the acquisition cost, such excess is recognized in profit of the period.

For impairment evaluation, the Company took the entire cash generating units in the financial reports into account and made a comparison between the recoverable amount and the book value thereof. If the recoverable amount of assets increases hereafter, the reversal of impairment losses is recognized in profit. However, the assets' book value after the reversal of the impairment losses shall not exceed the assets' book value, without recognition of the impairment losses, less amortization. Impairment losses attributable to goodwill shall not be reversed in the subsequent periods.

If the Company lost control of subsidiaries, the residual investment in the former subsidiaries was measured at the fair value on the date of loss of control. The difference between the fair value of the residual investment and any disposal proceeds and the investment book value on the date of loss of control was recognized in the profit or loss of the period. In addition, the total amounts related to the subsidiaries and recognized in other comprehensive income are dealt with in the accounting system on the basis which our direct disposal of relevant assets or liabilities shall be subject to.

The unrealized profit or loss from the downstream transactions between the Company and subsidiaries is removed in the parent company only financial reports. The profit or loss generated from the upstream and side stream transactions between the Company and subsidiaries is recognized in the parent company only financial reports only when such profit or loss is irrelevant to the Company's equity in the subsidiaries.

(VII) Property, plant and equipment

The property, plant and equipment are recognized in accordance with the cost and subsequently measured based on the cost net of accumulated depreciation and impairment losses.

The property, plant and equipment under construction are recognized based on the cost net of accumulated impairment losses. The cost includes professional service fees and the loan costs eligible for capitalization. Once the assets are completed and ready for their intended use, the assets are classified as appropriate items under property, plant and equipment, and the depreciation of the assets starts.

Except for the self-owned land, each significant part of the property, plant and equipment is separately depreciated on the straight-line basis over its useful life. The Company reviews the estimated useful life, residual value and method of depreciation at least on the end day of each year and prospectively recognizes the effect from changes in accounting estimates.

For derecognition of the property, plant and equipment, the difference between the net disposal proceeds and the asset book value is recognized as profit or loss.

(VIII) Intangible assets

1. Acquired separately

   Intangible assets with limited useful life acquired separately are initially measured in accordance with the cost and subsequently based on the cost net of accumulated amortization and impairment losses. Intangible assets are amortized on the straight-line basis over its useful life. The Company reviews the estimated useful life, residual value and method of amortization at least on the end day of each year and prospectively recognizes the effect from changes in accounting estimates. Intangible assets with indefinite useful life are recognized based on the cost net of accumulated impairment losses.

2. Derecognition

   For derecognition of the intangible assets, the difference between the net disposal proceeds and the asset book value is recognized as profit or loss of the period.

(IX) Impairments of property, plant and equipment, right-of-use assets, intangible assets, and contract cost related assets

The Company assess whether there are any signs indicating that any property, plant and equipment, right-of-use assets, and intangible assets may be impaired on each balance sheet date. If there are any such signs, the recoverable amount of the assets is estimated. When the recoverable amount of individual assets cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment at least annually or when there is any sign of impairment.

The recoverable amount is the higher of the fair value less costs of sale and the value in use. When the recoverable amount of any individual assets or cash-generating units is less than the book value, the book value of the individual assets or cash-generating units is adjusted down to the recoverable amount, and the impairment loss is recognized as profit or loss.

The impairment for the inventory, property, plant and equipment as well as intangible assets recognized due to customer contrasts is first recognized in accordance with the inventory impairment regulations and the aforesaid requirements. The excess of the book value of contract cost-related assets over the consideration that can be received for providing relevant goods or services net of relevant direct costs is recognized as impairment losses thereafter. The book value of the contract cost-related assets is then included in the cash-generating unit to which the assets belong in order to perform impairment assessment for the cash-generating unit.

When the impairment loss is reversed subsequently, the book value of the asset, cash-generating unit or contract cost-related assets is adjusted up to the revised recoverable amount. However, the increased book value does not exceed the book value (less the amortization or depreciation) determined under the circumstance that the impairment loss of the assets, cash-generating unit or contract cost-related assets is not recognized in the previous year. The reversal of the impairment loss is recognized as profit or loss.

(X) Financial instruments

Financial assets and financial liabilities are recognized in the parent company only balance sheet when the Company became a party of the financial instrument contract.

For initial recognition of the financial assets and financial liabilities, when the financial assets or financial liabilities are not measured at fair value through profit or loss, the assets or liabilities are measured at the fair value plus any transaction cost directly attributable to acquisition or issuance of the financial assets or financial liabilities. Any transaction cost measured at fair value through profit or loss directly attributable to the acquisition or issuance of the financial assets or financial liabilities is immediately recognized as profit or loss.

1. Financial assets

The regular transactions of financial assets are recognized and derecognized based on the accounting on the transaction date.

(1) Type of measurements

The financial assets held by the Company are those measured at fair value through profit or loss and at amortized cost as well as investment in equity instruments measured at fair value through other comprehensive income.

A. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include financial assets mandatorily and designated to be measured at fair value through profit and loss. The financial assets mandatorily and designated to be measured at fair value through profit and loss include the investment in equity instruments that the Company does not designate to be measured at fair value through other comprehensive income, and the investment in liability instruments that are not qualified to be classified as those measured at amortized cost or measured at fair value through other comprehensive income.

The financial assets measured at fair value through profit or loss are measured at fair value. The produced dividend and interest are recognized in other income and interest income, respectively. The profit or loss generated from remeasurement is recognized in other profit or loss. For determination of the fair value, please refer to Note 33.

B. Financial assets measured at amortized cost

When the Company's invested financial assets meet both of the following two conditions, they are classified as financial assets measured at amortized cost:

a. The financial assets held under a business model with the purpose of holding these assets to collect contractual cash flows; and
b. The contractual terms generate cash flows on a specific date that are solely payments of principal and interest.

After the initial recognition, the financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable measured at amortized cost) are measured based on the amortized cost equal to the total book value determined under the effective interest method less any impairment losses, and any profit or loss from foreign currency translation is recognized as profit or loss.

Except for the following two circumstances, the interest income is calculated as the effective interest rate times the total book value of financial assets:

a. For purchased or originated credit-impaired financial assets, the interest income is calculated as the credit-adjusted effective interest rate times the amortized cost of the financial assets.
b. For financial assets originally not purchased or originated credit-impaired but subsequently becoming credit-impaired, the interest income is calculated as the effective interest rate times the amortized cost of the financial assets in the next reporting period after the credit impairment.

Credit-impaired financial assets represent significant financial difficulties confronting the issuer or debtor, default, the circumstance that the debtor is likely to file for bankruptcy or other financial reorganization, or that the active market of financial assets disappears due to financial difficulties.

Cash equivalents include highly liquid time deposits that can be converted into defined amounts of cash at any time within 3 months after the date of acquisition and are subject to an insignificant risk of changes in value, and are used to meet short-term cash commitments.

C. Investment in equity instruments measured at fair value through other comprehensive income

At initial recognition, the Company may make an irrevocable election to measure the investment in equity instruments held not for trading and not recognized by the acquirer in a business merger or with consideration at fair value through other comprehensive income.

Investment in equity instruments measured at fair value through other comprehensive income is measured at fair value. Subsequent changes in the fair value are recognized in other comprehensive income and accumulated in other equity. For disposal of the investment, any cumulative profits or losses are directly transferred to retained earnings and not reclassified as profit or loss.

After the Company's right to receive dividends is determined, the dividends of investment in equity instruments measure at fair value through other comprehensive income are recognized in profit or loss except that such dividends apparently represent a partial return of the investment cost.

(2) Impairment of financial and contractual assets

The Company assesses impairment losses on financial assets (including accounts receivable) measured at amortized cost, investment in liability instruments measured at fair value through other comprehensive income and contract assets based on the expected credit losses on each balance sheet date.

Loss allowances for accounts receivable and contract assets are recognized based on the lifetime-expected credit losses. The Company first assesses whether the credit risk on other financial assets significantly increases after the initial recognition. When the increase is not significant, the loss allowance for the financial assets is recognized based on the 12-month expected credit losses; when the increase is significant, it is recognized based on the lifetime-expected credit losses.

The expected credit losses are the average credit losses weighted by the risk of default. 12-month expected credit losses represent the expected credit losses on financial instruments from any potential default within 12 months after the reporting date. Lifetime-expected credit losses represent the expected credit losses on financial instruments from any potential default during the expected lifetime.

For the purpose of internal credit risk management, financial assets are deemed to be defaulted when the following circumstance occurred, without consideration of the collateral held:

A. Any internal or external information indicates that a debtor is impossible to pay off the debts.

B. Any payment is overdue more than 365 days, unless any reasonable and supportable information makes it appropriate to postpone the default criteria.

The impairment loss on all financial assets is deducted from the book value of the financial assets through allowance accounts. However, the loss allowance of the investment in liability instruments measured at fair value through other comprehensive income is recognized as other comprehensive income, and the book value thereof is not reduced.

(3) Derecognition of financial assets

The Company removes financial assets only when the contractual rights to the cash flows from the assets become invalid, or the financial assets and almost all the risks and returns over the ownership of the financial assets are transferred to other companies.

For removal of the entire financial assets measured at amortized cost, the differences between the book value and the received consideration were recognized in profit or loss. Upon derecognition of the entire investment in liability instruments measured at fair value through other comprehensive income, the difference between its book value, and the total amount of the consideration received plus any cumulative gain or loss recognized as other comprehensive profit or loss is recognized as profit or loss. Upon derecognition of the entire investments in equity instruments measured at fair value through other comprehensive income, the cumulative gain or loss is directly transferred to retained earnings and not reclassified as profit or loss.

2. Equity instruments

The debt and equity instruments issued by the Company are classified as financial liabilities or equity based on the definition of real and financial liabilities as well as equity instruments under the terms and conditions of the contracts.

The equity instruments issued by the Company are recognized at the payment net of the direct cost of issuance.

When a reacquired equity instrument is originally owned by the Company, the re-acquisition is recognized as a deduction from equity. Purchase, sale, issuance or cancellation of the equity instruments owned by the Company are not recognized as profit or loss.

3. Financial liabilities

(1) Subsequent measurement

All financial liabilities are measured at amortized cost under the effective interest method.

(2) Derecognition of financial liabilities

For derecognition of financial liabilities, the differences between the book value and the consideration paid (including any non-cash assets transferred and any liabilities assumed) are recognized as profit or loss.

(XI) Liability reserve

The amount recognized as a liability reserve is the best estimate of the expenses needed to settle the obligation on the balance sheet date in consideration of the risks and uncertainty of the obligation. The liability reserves are measured based on the estimated discounted cash flow for settlement of the obligation.

1. Onerous contract

When the unavoidable cost for fulfillment of contractual obligations is expected to exceed the expected economic benefit from the contract, the present obligation deriving from the onerous contract is recognized as liability reserve.

2. Warranty

The warranty obligation to guarantee that products conform to the agreed specification is recognized based on the best estimate made by the management for the expenses needed to settle the Company’s obligation when the revenue of the relevant commodities is recognized.

(XII) Recognition of revenue

After our recognition of performance obligations under a contract with clients, we allocate the transaction price to each performance obligation and recognize the allocated amount in revenue after each performance obligation is met.

For the contract in which transfer of commodities or services and collection of considerations are conducted at an interval within 1 year, the transaction price is not adjusted for significant financing components.

1. Revenue from sale of commodities

Revenue from sale of commodities is generated from the sales of products. Once the products are delivered to the customer-designated location and accepted by the customer, the customer is entitled to the products' price determination and right of use, has the main responsibility to resell the products, and takes the risk that the products might become outdated. Therefore, the revenue and accounts receivable are recognized at that point of time.

2. Service income

Service income derives from repair of equipment.

With provision of the equipment repair service from the Company, the customer acquires and consumes the benefit from performance of the contract. Related income is recognized when services are provided. Involvement of technicians is need for repair of equipment. The Company measures the progress of the work based on the percentage of the incurred man-hours in the estimated total man-hours. Since payment is made after completion of the repair as agreed in the contract, the Company recognizes the service income as contract assets when the service is provided and transfer it to account receivable when the repair is completed.

3. Project income

Since the cost of construction is directly related to the percentage of fulfillment of the contractual obligation, the Company measures the progress based on the percentage of the actually invested cost in the estimated total cost. The Company progressively recognizes contract assets during the construction and transfers them to accounts receivable when billing. If the construction project proceeds received exceed the revenue recognized, the difference is recognized as contract liabilities. Construction retainage retained by customers according to contractual terms and conditions is to ensure that the Company fulfills all the contractual obligation thereof and is recognized as contract assets before the fulfillment of the contract.

If the result of the fulfillment cannot be measured reliably, the contract income is recognized only within the scope of the actually incurred contract fulfillment cost expected to be recovered.

(XIII)Lease

We assess whether an agreement is (or contains) a lease on the date of entering into the agreement.

1. The Company is the lessor

A lease is classified as finance leases when almost all the risks and returns attached to the ownership of assets are transferred to the lessee according to the terms and conditions, and all the other leases are classified as operating leases.

The lease payment under operating leases less lease incentives is recognized as profit on the straight-line basis over the lease term. The original direct cost generated from the acquisition of the operating leases plus the book value of underlying assets is recognized as expenses on the straight-line basis over the lease term. The lease agreement with the lessee is dealt with as a new lease from the effective date of lease modification.

2. The Company is the lessee

The lease payment from the leases of low-value underlying assets to which the exemption of recognition is applied and short-term lease is recognized as expenses on the straight-line basis over the lease term, while right-of-use assets and lease liabilities with respect to other leases are recognized on the lease commencement date.

The right-of-use assets are initially measured based on the cost (including the initial recognized amount of lease liabilities, the lease payment paid before the lease commencement date less the lease incentives received, the initial direct cost and the cost estimated to restore the underlying asset) and subsequently measured based on the cost net of accumulated depreciation and accumulated impairment losses, and then the remeasurement of the lease liabilities is adjusted. The right-of-use assets are separately presented in the parent company only balance sheet.

The right-of-use assets are depreciated on the straight-line basis over the period from the lease commencement date to the expiration of the useful life or the lease period, whichever is sooner.

The lease liabilities were initially measured based on the present value of lease payments (including fixed payments). If the interest rate implicit in a lease could be readily determined, the lease payments were discounted at the interest rate. When such interest rate cannot be readily determined, the lessee's incremental borrowing rate of interest is used.

Subsequently, the lease liabilities are measured at amortized cost under the effective interest method, and the interest expenses are amortized over the lease term. When any changes in the lease term resulted in changes to the future lease payments, we remeasured the lease liabilities and adjusted the right-of-use assets accordingly. However, the residual remeasurement was recognized in profit or loss when the book value of right-of-use assets was reduced to zero. For the lease modification not dealt with as a single lease, the remeasurement of the lease liabilities due to reduction of the lease scope is conducted to reduce the right-of-use assets and recognized in profit or loss in terms of termination of any part of all of the lease; the remeasurement of the lease liabilities due to other modifications is conducted for adjustment of the right-of-use assets. The lease liabilities are separately presented in the parent company only balance sheet.

(XIV) Government grants

The government subsidies shall only be recognized when it is reasonable to ensure that the Company will comply with the conditions incident to the government subsidies and the subsidies may be received affirmatively.

Government subsidies related to any gains are recognized in other revenue on a systematic basis within the period when the costs to be subsidized by the government are recognized in expenses by the Company. Government grants for which the acquisition of non-current assets in a purchase or building manner or in other manners by the Company is necessary are recognized as deferred income and transferred to profit or loss on a reasonable and systematic basis over the useful life of the relevant assets.

If the government subsidies are used to make up the expenses or losses that have occurred, or immediately support the finance of the Company and there is no future cost, such subsidies are recognized in profit or loss during the period when they can be received.

(XV) Employee benefits

1. Short-term employee benefits

   Liabilities related to employee benefits are measured at non-discounted amount expected to be paid against the services to be provided by the employees.

2. Retirement benefits

Every pension fund contributed under the defined pension appropriation plan is recognized as expenses during the period when employees provide services.

Defined retirement benefit costs (including servicing costs, net interest, and remeasurement) under the defined retirement benefit plan are calculated actuarially using the projected unit credit method. Service costs (including current service costs) and net interest on net defined benefit liabilities (assets) were recognized in employee benefit expenses when they were incurred. Remeasurement (including actuarial profits or losses and return on plan assets net of interest) is recognized in other comprehensive income and presented in retained earnings when it occurs. It is not reclassified as profit or loss in the subsequent periods.

Net defined benefit liabilities (assets) represent the contribution deficit (surplus) in the defined retirement benefit plan. Net defined benefit assets shall not exceed the present value of contribution refunded from the defined retirement benefit plan or future deductible contribution.

(XVI) Share-based payment arrangement

Employee stock options for employees

The employee stock options are recognized as expenses based on the fair value of equity instruments on the grant date and the best estimate of the vested amount on the straight-line basis over the vesting period, while the capital reserve – employee stock options is adjusted. If the amount is immediately vested on the grant date, it is recognized as expenses on that date. The Company may transfer treasury stocks to employees. The grant date is the date of notification to employees.

(XVII) Income tax

The income tax expenses are the total of current and deferred income taxes.

1. Current income tax

   The Company determines the current revenue (loss) in accordance with the laws and regulations of the jurisdiction where the income tax returns are filed and, with this as a basis, calculates the income tax payable (receivable).

   The additional income tax on undistributed earnings calculated according to the Income Tax Act of the Republic of China is recognized in the year when the related resolution is made at the shareholders' meeting.

   The adjustments to the income tax payable in the previous year are recognized in the current income tax.

2. Deferred income tax

   The deferred income taxes are calculated based on the temporary difference between the book value of assets and liabilities in the book and the tax base for calculation of taxable income.

   Deferred income tax liabilities are generally recognized based on all taxable temporary differences; deferred income tax assets are recognized when we are likely to have taxable income available to offset the income tax arising from deductible temporary differences, loss carryforwards, purchase of machinery/equipment, R&D and talent training.

   Taxable temporary differences generated from investment in subsidiaries, associates and joint arrangements are recognized in deferred income tax liabilities except where the Company can control the timing of reversal of the taxable temporary differences, and where such differences are not likely to be reversed in the foreseeable future. Deductible temporary differences related to such investment are recognized, to the extent that they are expected to be reversed in the foreseeable future, as deferred income tax assets only when we are likely to have taxable income adequate to realize the temporary differences.

The book value of deferred income tax assets is reviewed at each balance sheet date. When any of the deferred income tax assets is not likely to have taxable income adequate to return all or part of the assets anymore, the book value thereof is reduced. Those that are not originally recognized as deferred income tax assets are reviewed at each balance sheet date. When any of those is likely to generate taxable income adequate to return all or part of the assets in the future, the book value thereof is increased.

The deferred income tax assets and liabilities are measured at the tax rate of the period in which the liabilities or assets are expected to be settled or realized. The tax rate is subject to the tax rate and tax laws legislated or substantively legislated on the balance sheet date. The deferred income tax liabilities and assets are measured to reflect the tax on the balance sheet date arising from the method that we expect to use to recover or settle the book value of the liabilities and assets.

3. Current and deferred income taxes

The current and deferred income taxes are recognized as profit or loss other than those related to the titles stated as other comprehensive income or as equity directly, which are recognized in other comprehensive income separately or in equity directly.

V. Major sources of uncertainty of significant accounting judgments, estimates, and assumptions

For adoption of the accounting policies, our management must make judgments, estimates and assumptions related to the information that cannot be readily acquired from other sources based on historical experience and other relevant factors. The actual results may differ from those estimates.

The Company deems the effect of the COVID-19 on the economy as a consideration of significant accounting estimates. The management will continue to review the estimates and basic assumptions. When the amendments to the estimates only affect the current period, they are recognized in the period in which they are made; when the amendments to the estimates affect the current and future periods at the same time, they are recognized in the period in which they are made and the future period.

<u>Main sources of uncertainties of estimates, and assumptions</u>

<u>Construction contracts</u>

The construction profit or loss of a construction contract is recognized in revenue and cost with reference to the completion level of the contractual activities. The completion level is measured based on the percentage of the contract cost incurred to the completed works up to now in the estimated total contract cost.

Since the estimated total cost and contract items are derived by management from assessment and judgment of the nature of individual products, expected outsourcing price, project period, construction project, and construction method, they may affect the calculation of the completion percentage and construction profit/loss. (Please refer to Note 24.)

VI. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and working capital	$ 1,340	$ 1,104
Bank check and demand deposit	172,567	188,281
Cash equivalents (investment with an initial maturity date within 3 months)		
Bank time deposit	671,729	182,241
	$ 845,636	$ 371,626

Interest rate range of bank deposits on the balance sheet date

	December 31, 2022	December 31, 2021
Bank deposit	0.001%～1.05%	0.001%～0.50%
Bank deposit with an initial maturity date within 3 months	1.05%～4.85%	0.12%～2.35%

VII. Financial instruments measured at fair value through profit or loss

	December 31, 2022	December 31, 2021
Financial assets – current		
Mandatory measurement at fair value through profit or loss		
Non-derivative financial assets		
– Overseas listed (OTC) stocks	$ 10,815	$ 31,061
– Fund beneficiary certificates	282,094	380,110
	$ 292,909	$ 411,171
Financial assets – non-current		
Mandatory measurement at fair value through profit or loss		
Non-derivative financial assets		
– Domestic non-listed (non-OTC) stocks	$ 86,436	$ 74,100

VIII. Financial assets measured at fair value through other comprehensive income

Investment in equity instruments

	December 31, 2022	December 31, 2021
Non-current		
Domestic investment		
Non-listed (Non-OTC) stock		
Common stock of United Information System Service Co., Ltd.	$ 29,968	$ 34,905
Common stock of Ecatch Automation Co., Ltd.	900	900
Meng-Lue Venture Investment Limited Partnership	7,500	-
	$ 38,368	$ 35,805

According to the long-term strategy, the Company invested in common stock of United Information System Service, common stock of Ecatch Automation Co., Ltd., and Meng-Lue Venture Investment Limited Partnership. Profits are anticipated through the long-term investment. Since the Company's management deemed that the recognition of short-term changes in the investment's fair value in profit or loss was not consistent with the said long-term investment plan, they opted to have the investment measured at fair value through other comprehensive income.

IX. Financial assets measured at amortized cost

	December 31, 2022	December 31, 2021
Current		
Domestic investment		
Time deposit with an initial maturity date over 3 months(I)	$ 284,677	$ 197,076
Less: Loss allowance	-	-
	$ 284,677	$ 197,076
Non-current		
Domestic investment		
Time deposit with an initial maturity date over 3 months(I)	$ 70,049	$ 33,904
Less: Loss allowance	-	-
	$ 70,049	$ 33,904

(I) As of December 31, 2022 and 2021, the interest rate range of the time deposit with an initial maturity date over 3 months was 0.45%–5.05% and 0.04%–0.815%, respectively.

(II) For more information on the pledge of the financial assets measured at amortized cost, refer to Note 35.

X. Notes/accounts receivable and other receivables

	December 31, 2022	December 31, 2021
Notes receivable		
Measurement at amortized cost		
Total book value	$ 3,194	$ 436
Less: Loss allowance	-	-
	$ 3,194	$ 436
Accounts receivable		
Measurement at amortized cost		
Total book value	$ 159,709	$ 122,545
Less: Loss allowance	-	(236)
	$ 159,709	$ 122,309
Accounts receivable – related parties (Note 34)	$ 4,229	$ 2,637
Overdue receivables (booked in other non-current assets)	$ -	$ 2,877
Less: Loss allowance	-	(2,877)
	$ -	$ -
Other receivables		
Interest receivable	$ 5,231	$ 336
Proceeds receivable from disposal of investments	11,701	792
Others	2,320	2,034
	$ 19,252	$ 3,162
Other receivables – related parties (Note 34)	$ 444,296	$ 806,093

(I) Notes and accounts receivable

The Company provides an O/A 30-to-90-day credit period on average for sale of commodities, and interest does not accrue on accounts receivable. When determining the recoverability of accounts receivable, the Company considers any changes in their credit quality from the original credit date to the balance sheet date. Since the historical experience tells that the accounts receivable overdue for more than 1 year are not recoverable, the Company recognizes the accounts receivable of more than 1 year in 100% loss allowance. As for the loss allowance of the accounts receivable within 1 year, the amount not recoverable is estimated with reference to the previous default record current financial status of the counterparty.

We recognize the loss allowance for accounts receivable based on the lifetime expected credit losses. The lifetime expected credit losses are calculated using a provision matrix with consideration of customers' historical default records and current financial position, industrial and economic environments, GDP forecasts and industrial prospects. Since our historical experience of credit losses show no significant difference in the type of loss between different clients, the customers are not further classified in the provision matrix. We only set the expected credit loss rate based on the days overdue of accounts receivable.

When there is any evidence showing that the trading counterparty is facing serious financial difficulties and we cannot estimate a reasonable recoverable amount (for example, the trading counterparty is undergoing liquidation or any debt has been overdue for more than 365 days), the Company directly write off related accounts receivable, continue to claim for payment, and recognize the recovered amount therefrom in profit or loss.

Our loss allowance for notes and accounts receivable measured using the provision matrix are as follows:

December 31, 2022

	Not overdue	1–90 days overdue	91–180 days overdue	181–365 days overdue	More than 365 days overdue	Individual evaluation of impairment	Total
Percentage of expected credit losses	0%	0%	0%	0%	100%	100%	
Total book value	$ 167,132	$ -	$ -	$ -	$ -	$ -	$ 167,132
Loss allowance (lifetime expected credit losses)	-	-	-	-	-	-	-
Amortized cost	$ 167,132	$ -	$ -	$ -	$ -	$ -	$ 167,132

December 31, 2021

	Not overdue	1–90 days overdue	91–180 days overdue	181–365 days overdue	More than 365 days overdue	Individual evaluation of impairment	Total
Percentage of expected credit losses	0%	0%	0%	0%	100%	100%	
Total book value	$ 125,382	$ -	$ -	$ -	$ -	$ 236	$ 125,618
Loss allowance (lifetime expected credit losses)	-	-	-	-	-	(236)	(236)
Amortized cost	$ 125,382	$ -	$ -	$ -	$ -	$ -	$ 125,382

Changes in loss allowance for notes and accounts receivable and overdue receivables are as follows:

	2022	2021
Balance – beginning of the year	$ 3,113	$ 149
Add: Impairment loss appropriated in the year	-	3,113
Add: Written-off bad debts recovered	6,278	-
Less: Impairment loss reversed in the year	(9,155)	-
Less: Actual amount written off in the year	(236)	(149)
Balance – ending of the year	$ -	$ 3,113

(II) Other receivables

The interest of the loans that the Company provides to related parties is calculated with reference to the market rate. Interest does not accrue on other receivables. When determining the recoverability of other receivables, the Company considers any changes in their credit quality from the original credit date to the balance sheet date. Since the historical experience tells that other receivables overdue for more than 1 year are not recoverable, the Company recognizes other receivables of more than 1 year in 100% loss allowance. As for the loss allowance of other receivables within 1 year, the amount not recoverable is estimated with reference to the previous default record current financial status of the counterparty.

XI. Inventory

	December 31, 2022	December 31, 2021
Work in process	$ 1,355	$ 12,011
Raw material	217,395	37,538
Finished goods	7,387	247
	$ 226,137	$ 49,796

The cost of sales related to the inventories in 2022 and 2021 was NTD 14,676 thousand and NTD 8,516 thousand, respectively. The cost of sales included inventory devaluation loss of NTD 1,144 thousand and NTD 227 thousand, respectively.

XII. Investment under the equity method

Investment in subsidiaries

	December 31, 2022	December 31, 2021
Publicly quoted company		
Tainergy Tech. Co., Ltd.	$ 543,472	$ 388,772
Non-publicly quoted entity		
KENTEC INC.	562,198	476,596
KENMEC VIETNAM COMPANY LIMITED	105,344	122,358
Kenmec International Holding (BVI) Co., Ltd.	5,490	136,359
Ample Assets Holdings Ltd.	-	117,454
TAISIC MATERIALS CO.	26,798	18,785
Hua-Xia Construction Co., Ltd.	17,872	18,669
Chief Global Logistics Co., Ltd.	18,288	895
	$ 1,279,462	$ 1,279,888

	Proportion of Ownership and Voting Right	
Name of the subsidiary	December 31, 2022	December 31, 2021
Tainergy Tech. Co., Ltd.	27.17%	27.19%
KENTEC INC.	89.16%	89.16%
Kenmec International Holding (BVI) Co., Ltd.	100%	100%
Ample Assets Holdings Ltd.	-	100%
KENMEC VIETNAM COMPANY LIMITED	100%	100%
TAISIC MATERIALS CO.	8.8%	8.6%
Hua-Xia Construction Co., Ltd.	100%	100%
Chief Global Logistics Co., Ltd.	52%	100%

The Company has a shareholding of 27.17% in Tainergy Tech. Co., Ltd. and, nevertheless, has substantial control over the company. It is thus incorporated as a subsidiary of the Company.

The company has a shareholding of 8.8% in Taisic Materials Co. and Tainergy Tech. Co., Ltd., a subsidiary of the Company, has a shareholding of 47.66% in Taisic Materials Co. Since the Company has substantial control over the Taisic Materials Co., it is incorporated as a subsidiary of the Company.

For the share of profit or loss and other comprehensive income of subsidiaries using the equity method for 2021, except for Hua-Xia Construction Co., Ltd. and Chief Global Logistics Co., Ltd. that were not audited by CPAs, the rest have been recognized according to the audited financial reports of each subsidiary for the same period.

XIII. Property, plant and equipment

	Land	House and building	Machinery and equipment	Transport equipment	Office equipment	Leasehold improvement	Other equipment	Uncompleted construction	Total
Cost									
Balance on January 1, 2022	$ 865,945	$ 453,598	$ 153,125	$ 38,659	$ 53,437	$ 8,468	$ 3,029	$ 14,133	$1,590,394
Addition	-	778	25,152	2,014	8,477	-	129	11,708	48,258
Disposal	-	(12,693)	(5,512)	(599)	(2,313)	-	(92)	-	(21,209)
Reclassification	-	750	130,491	-	3,208	-	-	(14,214)	120,235
Balance on December 31, 2022	$ 865,945	$ 442,433	$ 303,256	$ 40,074	$ 62,809	$ 8,468	$ 3,066	$ 11,627	$1,737,678
Accumulated depreciation and impairment									
Balance on January 1, 2022	$ -	$ 274,692	$ 122,001	$ 27,765	$ 38,468	$ 8,287	$ 2,354	$ -	$ 473,567
Depreciation expenses	-	24,761	12,020	4,070	5,945	167	688	-	47,651
Disposal	-	(12,693)	(5,512)	(599)	(2,297)	-	(92)	-	(21,193)
Balance on December 31, 2022	$ -	$ 286,760	$ 128,509	$ 31,236	$ 42,116	$ 8,454	$ 2,950	$ -	$ 500,025
Net amount on December 31, 2022	$ 865,945	$ 155,673	$ 174,747	$ 8,838	$ 20,693	$ 14	$ 116	$ 11,627	$1,237,653
Cost									
Balance on January 1, 2021	$ 865,945	$ 429,847	$ 158,589	$ 40,936	$ 44,971	$ 8,391	$ 3,029	$ 15,288	$1,566,996
Addition	-	8,663	1,676	1,410	10,100	167	-	13,933	35,949
Disposal	-	-	(10,221)	(3,687)	(1,634)	(90)	-	-	(15,632)
Reclassification	-	15,088	3,081	-	-	-	-	(15,088)	3,081
Balance on December 31, 2021	$ 865,945	$ 453,598	$ 153,125	$ 38,659	$ 53,437	$ 8,468	$ 3,029	$ 14,133	$1,590,394
Accumulated depreciation and impairment									
Balance on January 1, 2021	$ -	$ 253,919	$ 121,700	$ 26,313	$ 36,107	$ 8,164	$ 1,634	$ -	$ 447,837
Depreciation expenses	-	20,773	10,522	5,139	3,995	213	720	-	41,362
Disposal	-	-	(10,221)	(3,687)	(1,634)	(90)	-	-	(15,632)
Balance on December 31, 2021	$ -	$ 274,692	$ 122,001	$ 27,765	$ 38,468	$ 8,287	$ 2,354	$ -	$ 473,567
Net on December 31, 2021	$ 865,945	$ 178,906	$ 31,124	$ 10,894	$ 14,969	$ 181	$ 675	$ 14,133	$1,116,827

Since there was no sign of impairment in 2022 and 2021, the Company did not conduct impairment assessment.

The depreciation expense was calculated on the straight-line basis over the following useful lives:

House and building	
Main factory building	34-50 years
Machinery and equipment	
Mechanical & electric power equipment	8-10 years
Engineering equipment	4-6 years
Solar power system	16 years
Auto warehouse equipment	16 years
Cleanroom equipment	10-12 years
Machine tool/machinery	5-6 years
Instrument	6 years
Transport equipment	6 years
Office equipment	3-11 years
Leasehold improvement	6 years
Other equipment	4-6 years

For the amount of the property, plant and equipment pledged as collateral for loans, please refer to Note 35.

XIV. Lease agreement

(I) Right-of-use assets

	December 31, 2022	December 31, 2021
Book value of right-of-use assets		
Building	$ 360,423	$ 365,128

	2022	2021
Addition of right-of-use assets	$ 18,871	$ 373,583
Lease modification of right-of-use assets	$ -	($ 229)
Depreciation expense of right-of-use assets		
Building	$ 4,926	$ 8,948
Capitalization of depreciation expenses	$ 18,650	$ 8,257

The Company built equipment on the leased right-of-use asset. During construction, depreciation and interest expenses incurred were capitalized to repayment of equipment. For capitalization of interest expenses, please refer to Note 25.

Since there was no sign of impairment in 2022 and 2021, the Company did not conduct impairment assessment.

(II) Lease liabilities

	December 31, 2022	December 31, 2021
Book value of lease liabilities		
Current	$ 14,539	$ 397
Non-current	266,119	264,811
	$ 280,658	$ 265,208

The discount rate for lease liabilities is as follows:

	December 31, 2022	December 31, 2021
Building	1.68%~2.1%	1.68%~2.1%

(III) Other lease information

	2022	2021
Short-term lease and lease expense of low-value assets	$ 9,805	$ 4,679
Total cash (outflow) amount for lease	($ 18,235)	($ 22,436)

The Company opts to apply the exemption of recognition to the lease of property which is qualified as a short-term lease or a lease of low-value assets, and does not recognize right-of-use assets and lease liabilities with respect to such lease.

XV. Other intangible assets

	Computer software cost
Cost	
Balance on January 1, 2022	$ 28,118
Acquired separately	12,359
Balance on December 31, 2022	$ 40,477
Accumulated amortization	
Balance on January 1, 2022	$ 23,169
Amortization expenses	3,670
Balance on December 31, 2022	$ 26,839
Net amount on December 31, 2022	$ 13,638
Cost	
Balance on January 1, 2021	$ 25,910
Acquired separately	2,208
Balance on December 31, 2021	$ 28,118
Accumulated amortization	
Balance on January 1, 2021	$ 18,742
Amortization expenses	4,427
Balance on December 31, 2021	$ 23,169
Net on December 31, 2021	$ 4,949

Since there was no sign of impairment in 2022 and 2021, the Company did not conduct impairment assessment.

The amortization expense was calculated on the straight-line basis over the following useful lives:

Computer software cost	1-3 years

Summary of amortization expenses by function:

	2022	2021
Operating costs	$ 1,733	$ 2,959
Marketing expense	694	896
Administrative expense	475	429
R&D expense	768	143
	$ 3,670	$ 4,427

XVI. Other assets

	December 31, 2022	December 31, 2021
Current		
Prepayments		
Prepayments for purchase (Note 34)	$ 39,398	$ 9,280
Prepaid expenses	33,220	34,934
Overpaid tax retained for offsetting the future tax payable	19,832	-
	$ 92,450	$ 44,214
Other current assets		
Other financial assets – reserve account (Note 35)	$ 163,469	$ 110,735
Construction guarantee deposits paid	21,202	32,283
	$ 184,671	$ 143,018
Non-current		
Other non-current assets		
Prepayment for equipment	$ 98,065	$ 80,618
Guarantee deposits paid	6,951	6,001
Overdue receivables	-	2,877
Loss allowance – overdue receivables	-	(2,877)
Other financial assets – reserve account (Note 35)	147,514	156,982
Others	3,450	3,450
	$ 255,980	$ 247,051

(I) Other financial assets

The other financial assets of the company were mainly the current deposits and bank accounts pledged for acquisition of project contracts. Please refer to the description in Note 35.

(II) Prepayment for equipment

The Company's prepayments for equipment are the prepayments made for purchasing property, plant and equipment needed for production of the commodities or services to be supplied according to the purchase contracts.

(III) Overdue receivables

The Company's overdue receivables are the receivables overdue more than 1 year, and 100% of the loss allowance with respect to such overdue receivables are recognized. Please refer to Note 10.

XVII. Loan

(I) Short-term loans

	December 31, 2022	December 31, 2021
Secured loan (Note 35)		
Bank loans	$ -	$ 20,000

The interest rate of working loans on December 31, 2021 was 1.30%.

(II) Long-term loans

	Maturity date	Material terms	Effective interest rate	December 31, 2022	December 31, 2021
Unsecured loans					
Taiwan Business Bank	February 5, 2026	The loan totals NTD 100,000 thousand for a period of 5 years (non-revolving) without a grace period. It is disbursed on a lump-sum basis or in installments. The interest is paid every month. The installments of the principal is paid in equal each month from the date of automatic repayment of principal.	2.725%	$ 65,559	$ 85,271
Secured loan (Note 35)					
Hua Nan Bank	December 29, 2023	The loan totals NTD 54,000 thousand and is repaid on a monthly basis from January 29, 2011. The interest is paid every month.	2.33%	4,718	9,341
First Commercial Bank	October 13, 2032	The loan totals NTD 110,000 thousand with a grace period of 2 years. It is disbursed on a lump-sum basis or in installments. The installments of the principal are calculated from the expiry date of the grace period at an interval of 1 month. The principal is amortized in 168 installments.	2.23%	69,465	87,426
Taiwan Business Bank	January 10, 2035	The loan totals NTD 260,000 thousand for a period of 15 years (non-revolving) with a grace period of 2 years. It is disbursed on a lump-sum basis. The interest is paid every month. The installments of the principal are calculated from the expiry date of the grace period at an interval of 3 months. The principal is amortized in 52 installments.	2.075%	245,000	260,000
The Shanghai Commercial & Savings Bank	July 27, 2025	The loan totals NTD 90,000 thousand for a period of 5 years (non-revolving) with a grace period of 2 years. It is disbursed on a lump-sum or installment basis. The interest is paid every month. The installments of the principal are calculated from the expiry date of the grace period in 3-month intervals. The principal is amortized in 12 installments.	2.505%	82,500	90,000
The Shanghai Commercial & Savings Bank	June 15, 2027	The total loan amount is NTD 3,630 thousand. The loan is a special loan for Taiwanese businessmen to return to Taiwan for investment. Interest is paid monthly and the principal is repayable in 24 equal installments from one month from the date of expiration of the grace period (3 years).	1.97%	3,630	-
Bank of Taiwan	June 15, 2024	The total amount of the loan is NTD 400,000 thousand for 2 years (non-revolving) with interest charged monthly. The principal is due and payable and cannot be recycled.	2.05%	400,000	-
				870,872	532,038
Less: Due within one year				(81,279)	(54,323)
Long-term loans				$ 789,593	$ 477,715

XVIII. Notes and accounts payable

	December 31, 2022	December 31, 2021
Notes payable		
From operation	$ 1,260	$ -
Not from operation	88	231
	$ 1,348	$ 231
Accounts payable		
From operation – non-related parties	$ 473,684	$ 334,361
From operation – related party (Note 34)	25,816	12,734
	$ 499,500	$ 347,095

Accounts payable

The average credit period for purchasing raw materials, materials and commodities is 30 – 120 days. Interest is not included in the accounts payable recognized with respect to such purchase. The Company establishes the financial risk management policies to ensure that all payables can be paid back within the agreed term of credit.

XIX. Other liabilities

	December 31, 2022	December 31, 2021
Current		
Other payables		
Salary and bonus payable	$ 129,293	$ 85,585
Equipment payment payable	9,047	1,979
Remuneration payable to employees and directors	44,919	-
Business tax payable	-	3,519
Expenses payable	33,475	38,886
	$ 216,734	$ 129,969
Non-current		
Other liabilities		
Guarantee deposits received	$ 5,612	$ 5,733

XX. Liability reserve

	December 31, 2022	December 31, 2021
Current		
Warranty	$ 21,584	$ 10,945
Onerous contract	156	2,040
	$ 21,740	$ 12,985

The warranty liability reserve is the best estimate for any future outflow of economic benefits due to warranty obligation by the Company's management according the agreements in contracts for sale of commodities. The estimate is based on the Company's historical warranty experience and adjusted in consideration of new raw materials, procedural changes or other factors that influence the quality of the products.

XXI. Retirement benefit plan

(I) Defined contribution plan

The pension system specified in the “Labor Pension Act” adopted by the Company is the defined pension appropriation plan managed by the government. A pension equal to 6% of an employee’s monthly wage shall be appropriated to the individual labor pension account at the Bureau of Labor Insurance.

(II) Defined benefit plan

The pension system adopted by the Company according to the “Labor Standards Act” is the defined retirement benefit plan managed by the government. The years of service rendered and the average wage of six months prior to the approved retirement date shall be the reference for calculation of the pension to be paid to the employee. We appropriate 2% of the total monthly wage of an employee as the pension and remit the amount to the labor pension reserve funds account at the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. Before the end of each year, if the assessed balance in the account is inadequate to make a full payment of pensions to the employees who may meet the retirement conditions in the next year, we will make up the difference in one appropriation before the end of March the following year. The account is managed by the Bureau of Labor Funds, Ministry of Labor and we do not have the right to influence the investment management strategies.

Amounts related to the defined benefit plan and included in the parent company only balance sheet are listed as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	$ 152,247	$ 168,551
Fair value of plan assets	(96,411)	(96,305)
Net defined benefit liabilities	$ 55,836	$ 72,246

Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1, 2021	$ 188,969	($ 102,804)	$ 86,165
Service cost			
Current service cost	135	-	135
Interest expense (income)	945	(520)	425
Recognition in profit or loss	1,080	(520)	560
Remeasurement			
Return on plan assets (except for any amount included in net interest)	-	(1,415)	(1,415)
Actuarial loss (profit)			
– Changes in demographic assumption	5,160	-	5,160

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
– Changes in financial assumption	(18,307)	-	(18,307)
– Experience adjustments	5,257	-	5,257
Recognition in other comprehensive income	(7,890)	(1,415)	(9,305)
Contribution by employer	-	(2,126)	(2,126)
Payment of benefits	(10,560)	10,560	-
Company account payment	(3,048)	-	(3,048)
December 31, 2021	168,551	(96,305)	72,246
Service cost			
Current service cost	207	-	207
Interest expense (income)	1,053	(608)	445
Recognition in profit or loss	1,260	(608)	652
Remeasurement			
Return on plan assets (except for any amount included in net interest)	-	(7,873)	(7,873)
Actuarial loss (profit)			
– Changes in financial assumption	($ 9,624)	$ -	($ 9,624)
– Experience adjustments	1,409	-	1,409
Recognition in other comprehensive income	(8,215)	(7,873)	(16,088)
Contribution by employer	-	(974)	(974)
Payment of benefits	(9,349)	9,349	-
December 31, 2022	$ 152,247	($ 96,411)	$ 55,836

The amounts of the defined benefit plan recognized in profit or loss are summarized by function as follows:

	2022	2021
Operating costs	$ 384	$ 892
Marketing expense	6	277
Administrative expense	108	(976)
R&D expense	154	367
	$ 652	$ 560

The Company is exposed to the following risks due to the pension system under the “Labor Standards Act”:

1. Investment risk: The Bureau of Labor Funds, Ministry of Labor separately has invested the labor pension fund in domestic (foreign) equity and debt securities,

and bank deposits. The investment is conducted at the discretion of the Bureau or under the mandated management. However, the profit generated from the Company's plan assets shall be calculated with an interest rate not below the interest rate for a 2-year time deposit with local banks.

2. Interest rate risk: A decrease in the interest rates of government bonds and corporate bonds leads to increase the present value of the defined benefit obligation, and the return on debt investment of the plan assets will be increased accordingly. The net defined benefit liabilities may be partially offset by both increases.
3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salary of the plan participants. Therefore, the present value of the defined benefit obligation will be increased due to an increase in the plan participants' salary.

The Company's present value of the defined benefit obligation is calculated actuarially by a qualified actuary. The major assumptions on the date of measurement are as follows:

	December 31, 2022	December 31, 2021
Discount rate	0.25%	0.625%
Anticipated salary increase rate	2.00%	2.50%

If there were any reasonably possible changes to the major actuarial assumptions separately, the resulting increase (decrease) in the present value of the defined benefit obligation in the situation where all the other assumptions remained the same is as follows:

	December 31, 2022	December 31, 2021
Discount rate		
Increase by 0.25%	($ 3,017)	($ 3,688)
Decrease by 0.25%	$ 3,110	$ 3,810
Anticipated salary increase rate		
Increase by 0.25%	$ 3,047	$ 3,706
Decrease by 0.25%	($ 2,971)	($ 3,606)

Since the actuarial assumptions might be correlated to each other, and it was unlikely that the changes were only in a single assumption, the aforesaid sensitivity analysis might not reflect the actual changes in the present value of the defined benefit obligation.

	December 31, 2022	December 31, 2021
Expected contribution within 1 year	$ 917	$ 2,144
Average maturity of defined benefit obligations	8.1 years	8.8 years

XXII. Maturity analysis on asset liabilities

The assets and liabilities of the Company with respect to the construction business are classified as current or non-current with the operating cycle as the standard. The related amount recognized based on the amount anticipated to be recovered or reimbursed within a year and more than a year after the balance sheet date is as follows:

	Within 1 year	More than 1 year	Total
December 31, 2022			
Assets			
Contract assets	$ 12,734	$ 530,735	$ 543,469
Liability			
Contract liabilities	$ 46,826	$ 956,701	$ 1,003,527
December 31, 2021			
Assets			
Contract assets	$ 22,299	$ 292,045	$ 314,344
Liability			
Contract liabilities	$ 18,606	$ 952,787	$ 971,393

XXIII. Equity

(I) Share capital

Common shares

	December 31, 2022	December 31, 2021
Number of authorized shares (thousand shares)	402,000	402,000
Authorized capital	$ 4,020,000	$ 4,020,000
Number of shares issued and fully paid (thousand shares)	249,011	249,011
Issued capital	$ 2,490,112	$ 2,490,112

(II) Capital reserves

	December 31, 2022	December 31, 2021
Available for makeup of loss, distribution of cash dividends or transfer into capital (1)		
Stock issuance in excess of par value	$ 39,206	$ 429,656
Treasury stock trading	72,665	68,626
Difference between the actual price for acquisition of equity in subsidiaries and the book value	68,244	81,364
Only available for makeup of loss (2)		
Recognition of changes in equity ownership in subsidiaries	113,754	24,580
	$ 293,869	$ 604,226

1. These capital reserves may be used to make up losses or to distribute cash

dividends or be transferred into the capital if the Company does not incur a loss. However, the amount of the transfer into the capital shall be limited to a certain percentage of the paid-in capital in every year.

2. These capital reserves are the equity transaction effects recognized by the Company as a result of the changes of the equity in subsidiaries when the Company does not actually acquire or dispose the equity of the subsidiaries, or the adjustments for the Company to recognize subsidiaries' capital reserves under the equity method.

(III) Retained earnings and dividend policy

The Company approved the Articles of Incorporation through the resolution made at the shareholders' meeting on June 23, 2020. They expressly specify that the Company authorizes the Board of Directors to distribute the distributable dividends and bonuses in the form of cash and report at the shareholders' meeting.

According to the Company's earnings distribution policy specified in the amendments of the Articles of Incorporation, if the Company has a profit at the year's final accounting, it shall first pay the income tax and make up any cumulative losses in accordance with laws, and then make a 10% contribution of the balance to the legal reserve, and also make provision/reversal of special reserves pursuant to the laws. Any balance thereof shall, together with the accumulated undistributed earnings and the "adjusted amount of the annual undistributed profits," be submitted by the Board of Directors in the form of an earnings distribution proposal to the shareholders' meeting for ratification. For the distribution policy of employee and director remuneration regulated in the Company's Articles of Incorporation, please refer to (VII) Remuneration to employees and directors in Note 25 (VII).

The Company's business is currently in the stage of operational growth, requiring profits to be retained as funding necessary for operational growth and investments. Therefore, the Company currently adopts a "balance as dividend" policy, giving consideration to the distribution of a balanced dividend equaling at least 50% of the annual net profits after tax. The Board of Directors may, however, submit a proposal for distribution to the shareholders' meeting for decision after taking into account the actual funding situation of the Company.

Profits may be distributed in the form of a combination of cash and stock dividends, provided that cash dividend is at least 20% of the total dividend. The shareholders' meeting may, however, make adjustment thereto based on future funding plans.

Legal reserves shall be prepared to the amount at which the balance of the legal reserves reaches to the total paid-in capital. Legal reserves may be used to make up loss. Where the Company does not sustain loss, the part of the legal reserves that exceeds the total paid-in capital by 25% may be appropriated as capital or distributed by cash.

The Company held an annual general meeting on June 24, 2022 and August 27, 2021. Earnings distribution proposals in 2021 and 2020 approved at the said meetings are as follows:

	2021	2020
Special reserves	(\$ 9,455)	\$ -
Cash dividends from capital reserves	\$ 395,218	\$ 370,517
Cash dividends from capital reserves per share (NTD)	\$ 1.6	\$ 1.5

The proposal for distribution of earnings in 2022 resolved by the Board of Directors on March 10, 2023 is as follows:

	2022
Legal reserves	$ 48,011
Special reserves	($ 22,025)
Cash dividend	$ 401,885
Cash dividend per share (NTD)	$ 1.62

The proposal for distribution of earnings in 2022 is to be resolved at the annual shareholders' meeting to be held on June 28, 2023.

(IV) Special reserves

	2022	2021
Balance – beginning of the year	$ 328,572	$ 328,572
Reversal of special reserves	(9,455)	-
Balance – ending of the year	$ 319,117	$ 328,572

The special reserve set aside for the land when IFRSs are applied for the first time may be reversed at the time of disposal or reclassification. The special reserve set aside for the exchange differences from the translation of foreign operations' financial statements (including subsidiaries) is reserved according to the percentage of disposal. It will be completely reversed when the Company loses the significant influence. When earnings are distributed, a special reserve shall be set aside for the difference between the net deduction of other shareholder's equities stated on the end date of the reporting period and the special reserve set aside when IFRSs are applied for the first time. If there is any reversal of the decrease in shareholders' equity, the earnings may be distributed based on the reversal proportion.

(V) Other equity

1. Exchange differences on translation of financial statements of foreign operations:

	2022	2021
Balance – beginning of the year	($ 256,306)	($ 264,268)
Amounts incurred in the year		
Exchange differences from foreign operations	6,346	5,209
Share of subsidiary under the equity method	12,192	(2,833)
Other comprehensive income for the year	18,538	2,376
Disposal of subsidiaries using the equity method	7,960	-
Disposal of part of interests in subsidiaries	68	-
Acquisition of partial equity in subsidiaries	-	5,586
Balance – ending of the year	($ 229,740)	($ 256,306)

2. Unrealized profit/loss on valuation of financial assets measured at fair value through other comprehensive income

	2022	2021
Balance – beginning of the year	(\$ 6,966)	(\$ 14,649)
Amounts incurred in the year		
Unrealized profit/loss		
Equity instruments	(5,352)	7,660
Disposal of part of interests in subsidiaries	1	-
Accumulated gain or loss on disposal of equity instruments transferred to retained earnings	810	-
Acquisition of partial equity in subsidiaries	-	23
Balance – ending of the year	(\$ 11,507)	(\$ 6,966)

(VI) Treasury stocks

Cause of repurchase	Transfer of shares to employees (thousand shares)
Number of shares on January 1, 2021	-
Increase in the year	2,000
Number of shares on December 31, 2021	2,000
Number of shares on January 1, 2022	2,000
Increase in the year	2,000
Decrease in the Year	(3,066)
Number of shares on December 31, 2022	934

According to the Securities and Exchange Act, the treasury stock held by the Company shall not be pledged and entitled to any dividends and voting rights.

XXIV. Revenue

	2022	2021
Revenue from contracts with customers		
Revenue from sale of commodities	\$ 5,521	\$ 5,839
Service income	48,562	51,556
Project income	2,206,095	1,292,735
	\$ 2,260,178	\$ 1,350,130

(I) Description of contracts with customers

1. Revenue from sale of commodities

Revenue from sale of commodities is generated from the sales of products. Once the products are delivered to the customer-designated location and accepted by the customer, the customer is entitled to the products' price determination and right of use, has the main responsibility to resell the products, and takes the risk that the products might become outdated. Therefore, the revenue and accounts receivable are recognized at that point of time.

2. Service income

Service income derives from repair of equipment.

With provision of the equipment repair service from the Company, the customer acquires and consumes the benefit from performance of the contract. Related income is recognized when services are completely provided. Since payment is made after completion of the repair as agreed in the contract, the Company recognizes the service income as contract assets when the service is provided and transfer it to account receivable when the repair is completed.

3. Project income

Since the cost of construction is directly related to the percentage of fulfillment of the contractual obligation, the Company measures the progress based on the percentage of the actually invested cost in the estimated total cost. The Company progressively recognizes contract assets during the construction and transfers them to accounts receivable when billing. If the construction project proceeds received exceed the revenue recognized, the difference is recognized as contract liabilities. Construction retainage retained by customers according to contractual terms and conditions is to ensure that the Company fulfills all the contractual obligation thereof and is recognized as contract assets before the fulfillment of the contract.

If the result of the fulfillment cannot be measured reliably, the contract income is recognized only within the scope of the actually incurred contract fulfillment cost expected to be recovered.

(II) Balance of contract amount

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts and notes receivable (Note 10)	$ 167,132	$ 125,382	$ 170,177
Contract assets – current			
Construction of automated equipment	$ 543,469	$ 314,344	$ 256,168
Contract liabilities – current			
Construction of automated equipment	$ 1,003,527	$ 971,393	$ 522,798

Changes in loss allowance for contract assets are as follows:

	2022	2021
Balance – beginning of the year	$ -	$ -
Add: Impairment loss appropriated in the year	-	24,758
Less: Actual amount written off in the year	-	(24,758)
Balance – ending of the year	$ -	$ -

(III) Customer contract income breakdown

	2022	2021
Point in time for revenue recognition		
Contract fulfilled at a point in time	$ 64,504	$ 57,953
Contract fulfilled over time	2,195,674	1,292,177
	$ 2,260,178	$ 1,350,130

(IV) Customer contracts not fully performed

As of December 31, 2022 and 2021, the trading price amortized to the obligations that had not been fulfilled was NTD 1,003,527 thousand and NTD 971,393 thousand, respectively, in aggregate sums. The Company will recognize them in project income in the coming 1 or 2 years.

XXV. Net profit of continuing operations

(I) Interest income

	2022	2021
Interest income		
Bank deposit	$ 11,543	$ 2,023
Loans to related parties (Note 34)	24,039	32,191
	$ 35,582	$ 34,214

(II) Other revenue

	2022	2021
Lease revenue		
Rental income from operating lease (Note 34)	$ 30,074	$ 27,360
Dividend revenue	2,097	1,955
Government subsidy income (Notes 29)	3,009	16,527
Others	2,742	2,907
	$ 37,922	$ 48,749

(III) Other profits and losses

	2022	2021
Net foreign exchange profit (loss)	$ 47,720	($ 16,437)
Loss (gain) on financial assets		
Financial assets mandatorily measured at fair value through profit or loss	(6,719)	49,537
Others	253	25
	$ 41,254	$ 33,125

(IV) Financial costs

	2022	2021
Bank loan interest	$ 14,525	$ 11,193
Interest on lease liabilities	397	48
	$ 14,922	$ 11,241

Information on capitalization of interest:

	2022	2021
Capitalization of interest – amount	$ 4,612	$ 2,348
Capitalization of interest – interest rate	1.68%~2.1%	1.68%~2.1%

(V) Depreciation and amortization

	2022	2021
Summary of depreciation expenses by function		
Operating costs	$ 27,499	$ 25,053
Operating expenses	25,078	25,257
	$ 52,577	$ 50,310
Summary of amortization expenses by function		
Operating costs	$ 1,733	$ 2,959
Operating expenses	1,937	1,468
	$ 3,670	$ 4,427

(VI) Employee benefit expense

	2022	2021
Short-term employee benefits	$ 470,878	$ 357,617
Retirement benefits		
Defined contribution plan	14,786	13,784
Defined benefit plan (Note 21)	652	560
	15,438	14,344
Share-based payment (Note 28)	5,303	-
Total of employee benefit expenses	$ 491,619	$ 371,961
Summarized by function		
Operating costs	$ 189,859	$ 135,920
Operating expenses	301,760	236,041
	$ 491,619	$ 371,961

(VII) Remuneration to employees and directors

After deducting the profit before tax of the current year prior to distribution of the remuneration to employees, directors and supervisors, the amount to the percentage of 5%–15% was distributed as remuneration to employees and 1%–3% was distributed as remuneration to directors. Since there are losses before tax in 2021, no estimates were made for the remuneration to the employees or directors.

The remuneration to employees, directors and supervisors in 2022 was resolved by the Board of Directors on March 10, 2023 as follows:

Estimated ratio

	2022
Remuneration to employees	7.3%
Remuneration to directors	1.5%

Amount

	2022
Remuneration to employees	$ 37,262
Remuneration to directors	$ 7,657

If there were any changes in the amount after the approval and release date of annual parent company only financial reports, the change was treated as a change in accounting estimates and accounted for in the following year.

There was no discrepancy between the actual distribution of remuneration to employees and directors in 2021 and 2020 and the amount recognized in the consolidated financial statements in 2021 and 2020.

The information about remuneration to the employees and directors resolved by the Board of Directors is available at the "MOPS" of TWSE.

(VIII) Foreign exchange (loss) gain

	2022	2021
Total profit from translation of foreign currencies	$ 74,055	$ -
Total loss from translation of foreign currencies	(26,335)	(16,437)
Net profit (loss)	$ 47,720	($ 16,437)

XXVI. Income tax of continuing operations

(I) Income tax recognized in profit or loss

Major components of income tax (profit) expense are as follows:

	2022	2021
Current income tax		
Tax incurred in the year	$ -	$ 6,442
Adjustments for the previous year	(5,683)	-
Deferred income tax		
Tax incurred in the year	2,454	14,585
Income tax (profit) expense recognized in profit or loss	($ 3,229)	$ 21,027

Adjustments to accounting income and income tax (profit) expense are as follow:

	2022	2021
Net profit (loss) before tax	$ 466,845	($ 266,329)
Income tax expense on net profit before tax calculated at the statutory tax rate	$ 93,369	($ 53,266)
Expense and loss not deductible from tax	91	60,388
Non-taxable income	(17,755)	(10,060)
Unrecognized deductible temporary difference	(91,625)	17,523
Basic tax payable difference	-	6,442
Repatriation of earnings of subsidiaries	18,374	-
Adjustment to income tax expenses of the previous year in the year	(5,683)	-
Income tax (profit) expense recognized in profit or loss	($ 3,229)	$ 21,027

(II) Income tax recognized in other comprehensive income

	2022	2021
Deferred income tax		
Incurred in the year		
– Translation from foreign operations	$ 1,190	$ 1,302
– Remeasurement of defined benefits plans	3,219	1,862
Income tax expenses recognized in other comprehensive income	$ 4,409	$ 3,164

(III) Current income tax assets and liabilities

	December 31, 2022	December 31, 2021
Current income tax assets		
Income tax refund receivable	$ 9,220	$ -
Current tax liabilities		
Income tax payable	$ -	$ 5,225

(IV) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2022

Deferred income tax assets	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Temporary difference				
Discrepancy in pension recognition	$ 15,062	($ 63)	($ 3,219)	$ 11,780
Share of profit/loss of subsidiaries, associates and joint ventures under the equity method	135,104	-	-	135,104
Unrealized gains among associates	10,772	(3,854)	-	6,918
Liability reserve	2,656	1,661	-	4,317
Exchange differences from foreign operations	11,570	-	(1,190)	10,380
Loss carryforwards	8,624	(8,624)	-	-
Others	4,046	4,373	-	8,419
	$ 187,834	($ 6,507)	($ 4,409)	$ 176,918

Deferred income tax liabilities	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Temporary difference				
Financial assets measured at fair value through profit or loss	($ 4,497)	$ 4,053	$ -	($ 444)
Land incremental tax	(56,108)	-	-	(56,108)
	($ 60,605)	$ 4,053	$ -	($ 56,552)

2021

Deferred income tax assets	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Temporary difference				
Discrepancy in pension recognition	$ 17,236	($ 312)	($ 1,862)	$ 15,062
Share of profit/loss of subsidiaries, associates and joint ventures under the equity method	135,104	-	-	135,104
Unrealized gains among associates	10,767	5	-	10,772
Liability reserve	3,525	(869)	-	2,656
Exchange differences from foreign operations	12,872	-	(1,302)	11,570
Loss carryforwards	16,819	(8,195)	-	8,624
Others	4,985	(939)	-	4,046
	$ 201,308	($ 10,310)	($ 3,164)	$ 187,834

Deferred income tax liabilities	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Temporary difference				
Financial assets measured at fair value through profit or loss	($ 222)	($ 4,275)	$ -	($ 4,497)
Land incremental tax	(56,108)	-	-	(56,108)
	($ 56,330)	($ 4,275)	$ -	($ 60,605)

(V) Deductible temporary difference of the deferred income tax assets unrecognized in parent company only balance sheet

	December 31, 2022	December 31, 2021
Loss carryforwards		
Mature in 2030	$ 1,103,023	$ 1,561,890
Deductible temporary difference		
Share of profit/loss of subsidiaries, associates and joint ventures under the equity method	$ 100,427	$ 108,904

(VI) Authorization of income tax

The Company's profit-seeking business income tax filings up until 2020 have been approved by the tax authority.

XXVII. Earnings (losses) per share

Unit: NTD per share

	2022	2021
Basic earnings (loss) per share		
From continuing operations	$ 1.91	($ 1.16)
Diluted earnings (loss) per share		
From continuing operations	$ 1.89	($ 1.16)

The net profit (loss) and the weighted average number of common stocks used for calculating earnings (loss) per share are as follows:

Current net profit (loss)

	2022	2021
Net profit (loss) used for calculation of basic earnings (loss) per share	$ 470,074	($ 287,356)
Net profit (loss) used for calculation of diluted earnings (loss) per share	$ 470,074	($ 287,356)

Number of shares

Unit: thousand shares

	2022	2021
Weighted average number of common stocks used for calculation of basic earnings (loss) per share	246,751	247,226
Effect of potential diluted common stocks:		
Remuneration to employees	1,467	-
Weighted average number of common stocks used for calculation of diluted earnings (loss) per share	248,218	247,226

When the Company can select stocks or cash as the remuneration to employees, it is assumed that the employee's remuneration is paid with stocks when the diluted EPS is calculated. The weighted average outstanding common stocks are added when the potential common stocks have diluting capability to calculate the diluted EPS. The diluting capability of the potential common stocks is referenced in the next year when the Board of Directors resolved to calculate the diluted EPS prior to payment of the employee's remuneration with stocks.

XXVIII. Share-based payment arrangement

The Company's Employee Stock Option Plan

On July 4, 2022, the Board of Directors resolved to transfer treasury shares to employees at NTD 24.80 and NTD 24.02 per share, respectively. As of the date of payment of employee stock options, 1,533 thousand shares and 1,533 thousand shares were transferred, respectively for a total transfer price of NTD 74,841 thousand. The base date of employee stock options was set on July 19, 2022. The Company recognized a remuneration cost of NTD 5,303 thousand on the date of grant.

The Black-Scholes valuation model was used for the employee stock options granted by the Company in July 2022. The inputs used in the valuation model are as follows:

	July 2022
Price on grant date	NTD 24.69
Exercise price	NTD 24.80/24.02
Stock price volatility	42.70
Lifetime	0.088 years
Expected dividend rate	-
Risk-free interest rate	0.5357

In 2022, the Company recognized remuneration cost of NTD 5,303 thousand.

XXIX. Government grants

In July 2022, the Company signed a Taiwan Industry Innovation Platform Counseling Project of MOEA with the Taiwan Small & Medium Enterprise Counseling Foundation (Taiwan SMECF), receiving a grant for the development of silicon carbide long crystal equipment and critical materials for the period from July 1, 2022 to June 30, 2025. In 2022, a grant of NTD 3,963 thousand was received under the Project, recognizing a grant income of NTD 3,009 thousand.

The Company applied for subsidization of wage and working capital for the difficult companies in the manufacture and technical service industries affected by severe pneumonia with novel pathogens, and received a grant of NTD 16,527 thousand from the Ministry of Economic Affairs as of December 31, 2021.

XXX. Partial acquisition and disposal of invested subsidiaries – control not affected

In 2022, the Company gradually disposed of its shareholding in Tainergy Tech Co., Ltd., resulting in a decrease in the shareholding ratio from 27.19% to 27.17%.

In 2022, the Company disposed of its shareholding in Aptos Technology Inc., resulting in a decrease in the shareholding ratio from 100% to 52%.

The Company acquired more shareholding in Tainergy Tech. Co., Ltd. and Taisic Materials in 2021 and the shareholding ratio decreased from 28.83% and 10% to 27.19% and 8.6%, respectively.

Since these trades do not change the control of the Company over Tainergy Tech. Co., Ltd., the Company deals with them as transaction of equity. For the description on partial acquisition of Tainergy Tech. Co., Ltd., please refer to Note 35 “Transaction of equity with respect to non-controlling equity” to the 2022 consolidated financial reports of the Company.

XXXI. Information on cash flow

(I) Non-cash transactions

In addition to those disclosed in other notes, the Company was engaged in the following non-cash investment and financing activities in 2022 and 2021:

1. The Company reclassified contract assets to the category of property, plant and equipment to the amount of NTD 92,954 thousand and NTD 3,081 thousand, respectively, in 2022 and 2021.
2. The payment to be made by the Company for purchase of the property, plant and equipment increased and decreased by NTD 7,068 thousand and NTD 4,964 thousand, respectively, in 2022 and 2021.
3. The Company reclassified the prepayment for equipment into the category of property, plant and equipment to the amount of NTD 27,281 thousand in 2022.
4. The Company reclassified NTD 15,000 thousand of prepaid investments to financial assets at fair value through profit or loss－non-current in 2021.

(II) Changes in liabilities from financing activities

2022

	January 1, 2022	Cash flow	New lease	December 31, 2022
Lease liabilities	$ 265,208	($ 3,421)	$ 18,871	$ 280,658

2021

	January 1, 2021	Cash flow	New lease	Non-cash change Lease contract modification	December 31, 2021
Lease liabilities	$ 4,792	($ 15,361)	$ 276,011	($ 234)	$ 265,208

XXXII. Capital risk management

The Company conducts capital management to ensure all the business of the Company can keep operating while maximizing shareholders’ return by optimizing the liability and equity balances. The overall strategy of the Company is currently not changed.

The capital structure of the Company is comprised of their net liabilities (i.e., loans minus cash and cash equivalents) and shareholders’ equity (i.e., capital stock, capital reserves, retained earnings, and other equities).

The Company did not need to observe external capital requirements.

The key management of the Company conducts monthly review of the Company’s capital structure, including the cost of capital and relevant risks. Observing the suggestions of the management, the Company balanced the overall capital structure by paying dividends, issuing new stocks, repurchasing stocks, and issuing new corporate bonds, or repaying existing liabilities.

XXXIII. Financial instruments

(I) Fair value information – financial instruments not measured at fair value

As of December 31, 2022 and 2021, the Company did not have any financial assets and liabilities having major difference between book and fair values.

(II) Fair value information – financial instruments measured at fair value on a repetitive basis

1. Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Overseas listed (OTC) stocks	$ 10,815	$ -	$ -	$ 10,815
Domestic non-listed (non-OTC) stocks	-	-	86,436	86,436
Fund beneficiary certificate	282,094	-	-	282,094
Total	$ 292,909	$ -	$ 86,436	$ 379,345
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments				
– Domestic non-listed (non-OTC) stocks	$ -	$ -	$ 38,368	$ 38,368

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Overseas listed (OTC) stocks	$ 31,061	$ -	$ -	$ 31,061
Domestic non-listed (non-OTC) stocks	-	-	74,100	74,100
Fund beneficiary certificate	380,110	-	-	380,110
Total	$ 411,171	$ -	$ 74,100	$ 485,271
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments				
– Domestic non-listed (non-OTC) stocks	$ -	$ -	$ 35,805	$ 35,805

There were no transfers of fair value measurements between Level 1 and Level 2 in 2022 and 2021.

2. Adjustments to the financial instruments measured at Level 3 fair value

2022

Financial assets	Measurement at fair value through profit or loss Equity instruments	Financial assets measured at fair value through other comprehensive income Equity instruments	Total
Balance – beginning of the year	$ 74,100	$ 35,805	$ 109,905
Purchase	-	7,500	7,500
Recognition in profit or loss (other profits and losses)	12,336	-	12,336
Recognized in other comprehensive income (unrealized profit/loss from the financial assets measured at fair value through other comprehensive income)	-	(4,937)	(4,937)
Balance – ending of the period	$ 86,436	$ 38,368	$ 124,804

2021

Financial assets	Measurement at fair value through profit or loss Equity instruments	Financial assets measured at fair value through other comprehensive income Equity instruments	Total
Balance – beginning of the year	$ 44,141	$ 28,145	$ 72,286
Reclassification (Note 31)	15,000	-	15,000
Recognition in profit or loss (other profits and losses)	14,959	-	14,959
Recognized in other comprehensive income (unrealized profit/loss from the financial assets measured at fair value through other comprehensive income)	-	7,660	7,660
Balance – ending of the period	$ 74,100	$ 35,805	$ 109,905

3. Evaluation technology and inputs of Level 3 fair value measurement

The fair value of non-listed (non-OTC) equity instruments is estimated based on the analysis of the financial status and operating outcome of the investee, the latest transaction price, the quotation of the same equity instruments on active markets, the quotation of similar instruments on active markets, comparable company valuation multiples, and other assumptions that cannot be supported by the observable market price or interest rate. The significant unobservable inputs are as follows. The fair value of the investment increases when the long-term revenue growth rate and pre-tax operating margin increase.

(III) Type of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Measurement at fair value through profit or loss		
Mandatory measurement at fair value through profit or loss	$ 379,345	$ 485,271
Financial assets measured at amortized cost (Note 1)	2,170,178	1,843,244
Financial assets measured at fair value through other comprehensive income		
Investment in equity instruments	38,368	35,805
Financial liabilities		
Measurement at amortized cost (Note 2)	1,594,066	1,035,066

Note 1: The balance includes financial assets measured at amortized cost such as cash and cash equivalents, investment in liability instruments, notes and accounts receivable, other receivables, guarantee deposits paid and other financial assets.

Note 2: The balance includes financial liabilities measured at amortized cost such as short-term loans, notes and accounts payable, other payables, long-term liabilities mature within one year, guarantee deposits received, long-term loans, and other financial liabilities.

(IV) Financial risk management purpose and policy

The Company's main financial instruments include investments in equity, accounts receivable, accounts payable, borrowings, and lease liabilities. Our financial management department is responsible for provision of services for business units, planning and coordination of investments in domestic and international financial markets, analysis of internal risk exposure based on the risk level and scope, and reporting, supervision, and management of the financial risks related to the Company's operations. The said risks include the market risk (such as exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk.

The Company uses derivative financial instruments to avoid risk exposure and mitigate the impact of such risks. Derivative financial instruments are subject to the policies adopted at the meeting of the Board of Directors of the Company. These policies include the exchange rate risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and the written current funds investment principle. Internal reviewers review the compliance of the policies and the exposure limits on an ongoing basis. The Company did not conduct transactions of financial instruments (including derivative financial instruments) for speculation purposes.

The finance management department reports to the Risk Management Committee of the Company every quarter. The Committee is an independent organization dedicated to monitoring risks and implementing policies to mitigate risk exposure.

1. Market risk

The major financial risks that the operating activities imposed on the Company are exchange rate fluctuation risk (see (1) below), interest rate fluctuation risk (see (2) below), and other price risks (see (3) below). The Company is engaged in various derivative financial instruments to manage the imposed foreign exchange rate and interest rate risk, including:

A. Forward foreign exchange contracts or exchange rate options for avoidance of the exchange rate risk due to difference of currencies in collection, payment, and purchase of (raw) materials;

B. Maintenance of an adequate portfolio of fixed and variable interest rates to mitigate the fluctuation risk of cash flow and fair value.

The Company did not change the risk exposure on the financial instrument market or the methods for management and measurement of such exposure.

(2) Exchange rate risk

The Company was engaged in sales and purchase transactions in foreign currency. These transactions exposed the Company to the exchange rate fluctuation risk. About 2% of the sales amount of the Company is not valuated with the functional currency. About 14% of the cost amount is not valuated with the functional currency. The Company uses forward foreign exchange contracts or exchange rate options to manage the exchange rate risk within the policies.

Refer to Note 37 for the book value of the monetary assets and liabilities of the Company valued with non-functional currency on the balance sheet date and the book value of the derivative instruments exposed to exchange rate risk.

<u>Sensitivity analysis</u>

The Company is affected primarily by the fluctuation in the exchange rate of USD and RMB.

The sensitivity analysis of the Company in the exchange rate of NTD (functional currency) to any related foreign currencies increasing or decreasing by 3% is described in the following table. This 3% is the sensitivity ratio used by the Company when reporting the exchange rate risk to the key management. It also indicates the assessment of the management on the reasonable potential fluctuation of the exchange rate. The sensitivity analysis only included the outstanding foreign currency items. The translation thereof at the end of the year is adjusted by an increase or decrease of 3% in the exchange rate. The positive numbers in the table below represent the increase in net income or decrease in net loss after income taxes that would result from a 3% weakening of the New Taiwan dollar relative to the respective currencies. A 3% appreciation of the New Taiwan dollar against the respective currencies would have a negative impact on net profit or loss after tax for the same amount.

	Effect of USD		Effect of RMB	
	2022	2021	2022	2021
Profit or loss	$ 15,291 (i)	$ 10,434 (i)	$ 8,158 (i)	$ 8,963 (i)

(i) The profit or loss was mainly generated from the Company's accounts receivable, and accounts payable valued in USD and RMB which were outstanding on the balance sheet date and were not hedged against the cash-flow risk.

The sensitivity of the Company to the USD exchange rate increased this year due to an increase in the accounts receivable in USD; the sensitivity to the RMB exchange rate decreased due to a decrease in accounts receivable in RMB. Management found that the sensitivity analysis could not represent the inherent risk of the exchange rate, as the foreign currency risk exposure on the balance sheet date could not reflect the exposure in the year.

(3) Interest rate risk

The interest rate risk exposure occurs as the Company's entities borrow funds at fixed and floating rates at the same time. The Company maintains an adequate portfolio of fixed and floating interest rates to manage the interest rate risk. The Company assesses hedging activities on a regular basis to keep consistent in their opinions on interest rate and their given risk preference to ensure adoption of most cost-efficient hedging strategies.

The book values of the financial assets and liabilities of the Company exposed to the interest rate risk on the balance sheet date are as follows:

	December 31, 2022	December 31, 2021
With fair value interest rate risk		
– Financial assets	$ 354,726	$ 230,980
– Financial liabilities	280,658	265,208
With cash flow interest rate risk		
– Financial assets	1,156,619	639,343
– Financial liabilities	870,872	552,038

The Company is exposed to cash flow interest rate risk due to holding bank loans at variable interest rate. This conforms to the policy of the Company to reduce the interest rate fair value risk by maintaining the loans at floating interest rate. The cash flow interest rate risk of the Company is primarily due to the fluctuated benchmark interest rate of the loans valued in NTD.

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure of the derivative instruments and non-derivative instruments on the balance sheet date. As for the liabilities at floating interest rate, the analysis is made with the assumption that the outstanding liability amount on the balance sheet date is completely in circulation during the reporting period. The variable interest rate used by the Company when reporting the interest rate to the key management is the interest rate plus or minus 1%. It also indicates the assessment of the management on the reasonable potential fluctuation of the interest rate.

If the interest rate increased/decreased by 1%, with all other variables held constant, the net profit after tax of the Company in 2022 increased/decreased by NTD 2,286 thousand, primarily due to the exposure of the Company's loans at variable rate to interest rate risk.

If the interest rate decreased/increased by 1%, with all other variables held constant, the net loss after tax of the Company in 2021 increased/decreased by NTD 698 thousand, primarily due to the exposure of the Company's loans at variable rate to interest rate risk.

The increase in sensitivity of the Company to interest rates for the year was mainly due to the increase in variable-rate bank deposits.

(4) Other price risks

The Company sustains exposure to securities price risk due to investment in equity securities and fund beneficiary certificates.

Sensitivity analysis

The following sensitivity analysis is based on the equity price risk exposure on the balance sheet date.

If the equity price increased/decreased by 3%, the profit or loss after tax in 2022 and 2021 increased/decreased by NTD 2,918 thousand and NTD 3,155 thousand, respectively, due to increases/decreases of the fair value of the financial assets measured at fair value through profit or loss. Other comprehensive income after tax in 2022 and 201 increased/decreased by NTD 1,151 thousand and NTD 1,074 thousand, respectively, due to changes in the fair value of the financial assets measured at fair value through other comprehensive income.

The sensitivity of the Company to the price risk decreased/increased in the current period because decrease/increase of the investment in equity securities.

2. Credit risk

The credit risk refers to the risk in the financial loss of the Company due to the counterparty delays in the fulfillment of the contractual obligations. Up to the balance sheet date, the Company's potential highest credit risk exposure due to failure of the counterparty to fulfill its obligations and the financial loss brought about by the financial guarantee that the Company provided was mainly derived from the following:

(1) The book value of the financial assets recognized in the parent company only balance sheet.

(2) The Company did not take into account the highest amount likely to be paid by the Company due to provision of financial guarantee.

Receivables are to be collected from many customers. They belong to different industries and are located in different geographic areas. The Company continuously assesses the financial status of the customers from which receivables shall be recovered.

3. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to support business B.V. operation and reduce the effect of the fluctuating cash flow. The management of the Company monitors the use of financing facility and ensures compliance with the terms of the loan contract.

Bank loans are one of the important sources of liquidity. For the financing facility that the Company has not used, refer to description of financing facility in (2) below.

(1) Liquidity and interest rate risks of non-derivative financial liabilities

The remaining contractual maturity analysis of the non-derivative financial liabilities is compiled based on the earliest repayment date required to the Company and the non-discounted cash flow of the financial liabilities (including the principal and estimated interest). Hence, the bank loan which the Company may be requested to repay immediately is listed in the earliest period on the table without consideration of the possibility of the bank to exercise this right immediately; the maturity analysis of other non-derivative financial liabilities is compiled based on the agreed repayment date.

For the cash flow of the interest paid at floating rate, the non-discounted interest amount is derived from the yield curve on the balance sheet date.

December 31, 2022

	Weighted average effective interest rate (%)	Less than 1 year	1-3 years	4-5 years	Over 5 years
Non-derivative financial liability					
Non-interest-bearing liabilities					
Notes payable		$ 1,348	$ -	$ -	$ -
Accounts payable		499,500	-	-	-
Other payables		216,734	-	-	-
Guarantee deposits received		5,612	-	-	-
Floating interest rate instruments					
Long-term loans	2.166	82,160	540,574	85,583	213,584
Lease liabilities		19,555	41,497	39,385	224,776
		$ 824,909	$ 582,071	$ 124,968	$ 438,360

More information on the maturity analysis of lease liabilities:

	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years
Lease liabilities	$ 19,555	$ 80,882	$115,308	$ 64,774	$ 44,694	$ -

December 31, 2021

	Weighted average effective interest rate (%)	Less than 1 year	1-3 years	4-5 years	Over 5 years
Non-derivative financial liability					
Non-interest-bearing liabilities					
Notes payable		$ 231	$ -	$ -	$ -
Accounts payable		347,095	-	-	-
Other payables		129,969	-	-	-
Guarantee deposits received		5,733	-	-	-
Floating interest rate instruments					
Short-term loans	1.3	20,260	-	-	-
Long-term loans	1.643	54,769	128,052	136,545	244,156
Lease liabilities		400	33,740	38,979	246,716
		$ 558,457	$ 161,792	$ 175,524	$ 490,872

More information on the maturity analysis of lease liabilities:

	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years
Lease liabilities	$ 400	$ 72,719	$ 97,449	$ 97,449	$ 51,818	$ -

(2) Financing facility

	December 31, 2022	December 31, 2021
Unsecured bank loan limit (reviewed every year)		
– Employed capital	$ 100,000	$ 100,000
– Unemployed capital	100,000	80,000
	$ 200,000	$ 180,000
Unsecured other loan limit		
– Employed capital	$ -	$ -
– Unemployed capital	50,000	30,000
	$ 50,000	$ 30,000
Secured bank loan limit (extension possible under mutual agreement)		
– Employed capital	$ 1,118,612	$ 534,000
– Unemployed capital	752,588	403,723
	$ 1,871,200	$ 937,723

XXXIV. Related party transaction

In addition to those disclosed in other notes, transactions between the Company and other related parties are described as follows.

(I) Names of related parties and their relationship with the Company

Name of Related Party	Relationship with the Company
VIETNERGY COMPANY LIMITED	Subsidiary
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Subsidiary
Tainergy Technology (Kunshan) Co., Ltd.	Subsidiary
Tainergy Tech. Co., Ltd.	Subsidiary
KENTEC INC.	Subsidiary
TAISIC MATERIALS CO.	Subsidiary
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	Subsidiary
Chief Global Logistics Co., Ltd.	Subsidiary
Qie-Yi Co., Ltd.	De facto related party
Long-Zi Co., Ltd.	De facto related party
CHING-FU HSIEH	The Company's Chairman
Star Solar New Energy Co., Ltd.	Associate

(II) Operating revenue

Account Title	Type of Related Party	2022	2021
Sales revenue	Subsidiary	$ 1,384	$ 116
Project income	Subsidiary	204,084	121,126
Service income	Subsidiary	58	1,765
		$ 205,526	$ 123,007

There is no significant difference from other customers in the trading conditions and credit period applicable to the sale of goods between the Company and related parties.

(III) Purchase

Type of Related Party	2022	2021
Subsidiary	$ 79,317	$ 87,956
Associate	-	1,135
	$ 79,317	$ 89,091

There is no significant difference from other suppliers in the trading conditions and credit period applicable to the purchase of goods between the Company and related parties.

(IV) Accounts receivable from related parties (excluding loans to related parties and contract assets)

Account Title	Type of Related Party	December 31, 2022	December 31, 2021
Accounts receivable	TAISIC MATERIALS CO.	$ 3,890	$ -
	Tainergy Tech. Co., Ltd.	-	2,460
	Subsidiary	339	177
		$ 4,229	$ 2,637

No guarantee was requested for the outstanding accounts receivable from related parties. No loss allowance was set aside for the accounts receivable from related parties in 2022 and 2021.

(V) Accounts payable to related parties (excluding loans from related parties)

Account Title	Type of Related Party	December 31, 2022	December 31, 2021
Accounts payable	KENMEC MECHATRONICS (SUZHOU) CO., LTD.	$ 25,816	$ 12,692
	Associate	-	42
		$ 25,816	$ 12,734

The outstanding balance of the accounts payable to related parties was not guaranteed.

(VI) Prepayments

Type/Name of Related Party	December 31, 2022	December 31, 2021
Subsidiary	$ 29,459	$ 373

(VII) Disposal of property, plants and equipment

The unrealized profit (recognized in investment under the equity method) from contracting and selling the plant and equipment to subsidiaries was subject to amortization in years based on the useful life of the plant and equipment.

	2022					
Goods sold	Unrealized profit – beginning of the year	Sales price of the current period	Sales cost of the current period	Increase of unrealized profit	Amortization of the current period	Unrealized profit – ending of the year
System and equipment construction	$ 76,846	$ 204,084	$ 168,408	$ 35,676	($ 30,215)	$ 82,307

	2021					
Goods sold	Unrealized profit – beginning of the year	Sales price of the current period	Sales cost of the current period	Increase of unrealized profit	Amortization of the current period	Unrealized profit – ending of the year
System and equipment construction	$ 78,768	$ 121,549	$ 97,571	$ 23,978	($ 25,900)	$ 76,846

(VIII) Lease agreement

Type of Related Party	2022	2021
Interest expenses		
De facto related party	$ -	$ 44

2022				
Type of Related Party	Premises	Lease Period	Determination of Rent	Monthly Rental
De facto related party	No. 21, Xindu Rd., Qianzhen Dist., Kaohsiung City	2022.01.01-2022.12.31	Negotiation	$ 196
De facto related party	No. 12, Xinda Rd., Qianzhen Dist., Kaohsiung City	2022.01.01-2022.12.31	Negotiation	186

2021				
Type of Related Party	Premises	Lease Period	Determination of Rent	Monthly Rental
De facto related party	No. 21, Xindu Rd., Qianzhen Dist., Kaohsiung City	2018.12.31-2021.12.30	Negotiation	$ 196
De facto related party	No. 12, Xinda Rd., Qianzhen Dist., Kaohsiung City	2018.12.31-2021.12.30	Negotiation	186

(IX) Endorsements/guarantees

Endorsements/Guarantees for Others

For more information on the endorsement and guarantee made by the Company for related parties, please refer to Table 2 "Endorsements/guarantees for others".

Acquisition of endorsements/guarantees

Type/Name of Related Party	December 31, 2022	December 31, 2021
The Company's Chairman		
CHING-FU HSIEH		
Amount guaranteed	$ 340,000	$ 490,000

(X) Loans to related parties

Type of Related Party	December 31, 2022	December 31, 2021
Other receivables		
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	$ 431,400	$ 549,360
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	-	160,728
VIETNERGY COMPANY LIMITED	-	83,040
	$ 431,400	$ 793,128

Type of Related Party	2022	2021
Interest income		
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	$ 16,892	$ 19,336
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	4,125	6,408
Tainergy Tech. Co., Ltd.	-	816
KENTEC INC.	168	1,826
TAISIC MATERIALS CO.	-	1,190
VIETNERGY COMPANY LIMITED	2,854	2,615
	$ 24,039	$ 32,191

The Company provides short-term loans for subsidiaries at a rate of 2%–3.5% close to the market interest rate. All the loans to the subsidiaries in 2022 and 2021 were unsecured.

(XI) Related party transactions

Lease revenue

2022

	Premises	Lease Period	Determination of Rent	Monthly Rental	Lease revenue
Subsidiary	No. 5, Ziqiang 1st Rd., Zhongli City	2020.11.01-2022.08.31	Negotiation	$ 1,330	$ 10,640
Subsidiary	No. 5, Ziqiang 1st Rd., Zhongli City	2022.09.01-2025.10.31	Negotiation	1,768	7,072
Subsidiary	No. 5, Ziqiang 1st Rd., Zhongli City	2020.11.01-2022.08.31	Negotiation	570	4,560
Subsidiary	No. 5, Ziqiang 1st Rd., Zhongli City	2022.09.01-2025.10.31	Negotiation	186	745
Subsidiary	6F., No. 97, Sec. 2, Nangang Rd., Taipei City	2021.08.01-2022.07.31	Negotiation	5	35
Subsidiary	6F., No. 97, Sec. 2, Nangang Rd., Taipei City	2022.08.01-2023.07.31	Negotiation	5	25
Subsidiary	6F., No. 97, Sec. 2, Nangang Rd., Taipei City	2020.11.01-2023.10.31	Negotiation	20	240
Subsidiary	6F., No. 97, Sec. 2, Nangang Rd., Taipei City	2020.11.01-2023.10.31	Negotiation	25	300
Subsidiary	Land of automation warehouse and access equipment at Xingbang Section, Qianzhen Dist., Kaohsiung City	2022.10.20-2023.10.19	Negotiation	1,122	2,655
					$ 26,272

2021

	Premises	Lease Period	Determination of Rent	Monthly Rental	Lease revenue
Subsidiary	No. 5, Ziqiang 1st Rd., Zhongli City	2020.11.01-2025.10.31	Negotiation	$ 1,330	$ 15,960
Subsidiary	No. 5, Ziqiang 1st Rd., Zhongli City	2020.11.01-2025.10.31	Negotiation	570	6,840
Subsidiary	6F., No. 97, Sec. 2, Nangang Rd., Taipei City	2021.08.01-2022.07.31	Negotiation	5	25
Subsidiary	6F., No. 97, Sec. 2, Nangang Rd., Taipei City	2020.11.01-2023.10.31	Negotiation	20	240
Subsidiary	6F., No. 97, Sec. 2, Nangang Rd., Taipei City	2020.11.01-2023.10.31	Negotiation	25	300
					$ 23,365

Other profits, expenses, and losses

	Type of Related Party	2022	2021
Operating expenses	De facto related party	$ -	$ 2
Operating expenses	Subsidiary	$ 4	$ -
Manufacturing expense	De facto related party	$ -	$ 3,792
Manufacturing expense	Subsidiary	$ 616	$ 227
Other revenue	Subsidiary	$ 471	$ -

Other creditor's rights and debts

Type of Related Party	December 31, 2022	December 31, 2021
Other receivables from related parties		
Subsidiary	$ 12,896	$ 12,965

(XII) Remuneration to key management

	2022	2021
Short-term employee benefits	$ 89,612	$ 48,382
Retirement benefits	727	850
Share-based Payment	637	-
	$ 90,976	$ 49,232

The remuneration to the directors and key management was decided by the Remuneration Committee subject to personal performance and market trend.

XXXV. Pledged and mortgaged assets

The following assets were provided as collaterals for loans, purchase or import of equipment, and performance bond under construction contracts. The details are as follows:

	December 31, 2022	December 31, 2021
Pledged C/D (stated as financial assets measured at amortized cost – current)	$ 58,687	$ 195,000
Pledged C/D (stated as financial assets measured at amortized cost – non-current)	70,049	33,904
Other financial assets – current	163,469	110,735
Other financial assets – Non-current	147,514	156,982
Property, plant and equipment		
Land	865,945	862,633
House and building	154,924	174,883
Guarantee deposits paid	28,153	38,284
	$ 1,488,741	$ 1,572,421

XXXVI. Significant contingent liability and unrecognized contractual commitment

In addition to those described in other notes, the Company's significant commitments and contingencies on the balance sheet date are as follows:

(I) Significant commitments

1. The amount under the letters of guarantee that the Company authorized banks to issue for performance of construction contracts or warranty of works in 2022 and 2021 totaled NTD 1,065,626 thousand and NTD 893,014 thousand, respectively.
2. As of December 31, 2022, the balance of the Company's unused letters of credits amounted to JPY 10,700 thousand.

(II) Contingency

In March 2022, Mr. Chun-Ming Chen filed a lawsuit against the Company at the Civil Court of Shilin District Court, Keelung, claiming that the Company should repay a sum of RMB 15,000 thousand. A hearing was yet to be held as of March 28, 2023. The Company claimed that it did not borrow funds from Chun-Ming Chen. After evaluation, the lawsuit should not have a material impact on the Company's financial and business affairs. Additionally, based on the letter replied by a professional law firm, it is difficult to support the idea that the Company has borrowed funds from Mr. Chen based on the evidence provided by him.

XXXVII. Information on foreign currency assets and liabilities with significant effect

The following information is summarized and stated based on the foreign currencies other than the Company's functional currency. The disclosed exchange rate represents the rate of such foreign currencies to the functional currency. Foreign currency assets and liabilities with significant effect are as follows:

December 31, 2022

	Foreign currency (thousand)	Exchange rate		Book value
Foreign currency assets				
Monetary items				
USD	$ 20,924	30.710	(USD : NTD)	$ 642,576
RMB	84,333	4.408	(RMB : NTD)	371,739
JPY	23,645	0.2324	(JPY : NTD)	5,495
EUR	77	32.73	(EUR : NTD)	2,520
VND	1,802,730	0.001	(VND : NTD)	2,344
				$ 1,024,674
Non-monetary items				
Investment under the equity method				
RMB	1,245	4.408	(RMB : NTD)	$ 5,490
VND	81,033,846	0.0013	(VND : NTD)	105,344
				$ 110,834
Foreign liabilities				
Monetary items				
USD	178	30.710	(USD : NTD)	$ 5,466
RMB	7,215	4.408	(RMB : NTD)	31,804
EUR	2,021	32.720	(EUR : NTD)	66,127
JPY	31,763	0.2324	(JPY : NTD)	7,382
				$ 110,779

December 31, 2021

	Foreign currency (thousand)	Exchange rate		Book value
Foreign currency assets				
Monetary items				
USD	$ 15,910	27.680	(USD : NTD)	$ 440,389
RMB	89,502	4.344	(RMB : NTD)	388,797
				$ 829,186
Non-monetary items				
Investment under the equity method				
RMB	58,428	4.344	(RMB : NTD)	$ 253,813
VND	101,965,000	0.0012	(VND : NTD)	122,358
				$ 376,171
Foreign liabilities				
Monetary items				
USD	203	27.680	(USD : NTD)	$ 5,619
RMB	3,535	4.344	(RMB : NTD)	15,356

EUR	323	31.320 (EUR : NTD)	10,116
			$ 31,091

Profit or loss (realized and unrealized) from foreign currency translation with significant effect is as follows:

Foreign currency	2022 Exchange rate	2022 Net translation profit (loss)	2021 Exchange rate	2021 Net translation profit (loss)
USD	30.71 (USD : NTD)	$ 40,755	27.68 (USD : NTD)	($ 9,962)
RMB	4.408 (RMB : NTD)	6,361	4.344 (RMB : NTD)	(7,619)
EUR	32.72 (EUR : NTD)	(720)	31.32 (EUR : NTD)	589
JPY	0.2324 (JPY : NTD)	436	0.2405 (JPY : NTD)	407
Others		888		148
		$ 47,720		($ 16,437)

XXXVIII. Disclosures of notes

(I) Major transaction matters:

1. Loans to others. (Table 1)
2. Endorsements/guarantees for others. (Table 2)
3. Securities – ending (excluding those controlled by invested subsidiaries, associates and joint ventures). (Table 3)
4. Aggregate purchases or sales of the same securities reaching NTD 300 million or more than 20% of the paid-in capital. (Table 4)
5. Acquisition of real estate reaching NTD 300 million or more than 20% of the paid-in capital. (None)
6. Disposal of property reaching NTD 300 million or more than 20% of the paid-in capital. (Table 5)
7. Purchases or sales of goods from and to related parties reaching NTD 100 million or more than 20% of the paid-in capital. (Table 6)
8. Accounts receivable from related parties reaching NTD 100 million or more than 20% of the paid-in capital. (Table 7)
9. Trading in derivative instruments. (None)

(II) Information on investees. (Table 8)

(III) Information on investments in Mainland China:

1. Information about investees in Mainland China, such as the name, main business operations, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment profit/loss, investment book value at the end of the period, profit or loss received from investments, and limit on the amount of investment in Mainland China. (Table 9)
2. Any of the following significant transactions with investees in Mainland China, either directly or indirectly through a third area, and their prices, payment conditions, and unrealized profit/loss: (Table 10)
   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

(3) The amount of property transactions and the amount of resulting profits or losses.
(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
(5) The highest balance, the end-of-period balance, the interest rate range, and total current interest with respect to financing of funds.
(6) Other transactions that have a material effect on the profit or loss of the period or on the financial position, such as the rendering or receiving of services.

(IV) Information on major shareholders: The name, shareholding, and shareholding ratio of the shareholders with an equity ratio of 5% or more. (Table 11)

KENMEC MECHANICAL ENGINEERING CO., LTD.
Loans to Others
2022

Table 1

Unit: NTD and foreign currency (thousand)

No. (Note 1)	Lending company	Borrowing company	Current account	Related party	Maximum balance in current period	Balance – ending of the period	Drawdown	Range of interest rates %	Nature of loaning of funds	Transaction amount	Reasons for the need of short-term financing	Appropriated allowance for bad debt	Collateral Name	Collateral Value	Ceiling of loans to a particular borrower (Notes 2 to 10)	Ceiling of total loaning of funds (Notes 2 to 10)
0	KENMEC MECHANICAL ENGINEERING CO., LTD.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	$ 671,110	$ 492,820	$ 431,400	3.0%~3.5%	Needs for short-term financing	$ -	Working funds	$ -	-	$ -	$ 721,562	$ 1,443,123
		KENMEC AUTOMATION ENGINEERING (KUNSHAN)	Other receivables	Y	256,842	-	-	3.50%	〃	-	〃	-	-	-	721,562	1,443,123
		VIETNERGY COMPANY LIMITED	Other receivables	Y	149,700	-	-	3.00%	〃	-	〃	-	-	-	721,562	1,443,123
		KENTEC INC.	Other receivables	Y	50,000	-	-	2.00%	〃	-	〃	-	-	-	721,562	1,443,123
1	KENMEC AUTOMATION ENGINEERING (KUNSHAN)	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	210,231 RMB 47,360	96,976 RMB 22,000	96,976 RMB 22,000	4.75%	〃	-	〃	-	-	-	226,100 RMB 51,293	226,100 RMB 51,293
2	KENMEC TECHNOLOGY (FUQING) CO., LTD.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	99,132 RMB 22,000	- RMB -	- RMB -	4.75%	〃	-	〃	-	-	-	- RMB -	- RMB -
3	KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	KENTEC ELECTRONICS (SUZHOU) CO., LTD.	Other receivables	Y	26,064 RMB 6,000	- RMB -	- RMB -	4.35%	〃	-	〃	-	-	-	100,649 RMB 22,833	100,649 RMB 22,833
		Suzhou Kenmec Property Development Ltd.	Other receivables	Y	153,204 RMB 34,000	85,956 RMB 19,500	85,956 RMB 19,500	4.35%	〃	-	〃	-	-	-	100,649 RMB 22,833	100,649 RMB 22,833
4	Fraternity Trade Development (KunShan) Co., Ltd.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	109,496 RMB 24,300	- RMB -	- RMB -	4.75%	〃	-	〃	-	-	-	- RMB -	- RMB -
		Suzhou Kenmec Property Development Ltd.	Other receivables	Y	21,760 RMB 5,000	- RMB -	- RMB -	4.35%	〃	-	〃	-	-	-	- RMB -	- RMB -
5	Tainergy Tech. Co., Ltd.	VIETNERGY COMPANY LIMITED	Other receivables	Y	143,075	-	-	3.00~5.00%	〃	-	〃	-	-	-	434,617	869,234
		TAISIC MATERIALS CO.	Other receivables	Y	200,000	100,000	-	2.5%~5.00%	〃	-	〃	-	-	-	434,617	869,234
		Star Solar New Energy Co., Ltd.	Other receivables	Y	65,000	65,000	65,000	2.5%~5.00%	〃	-	〃	-	-	-	434,617	869,234
6	Tainergy Technology (Kunshan) Co., Ltd.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	90,120	-	-	4.48%	〃	-	〃	-	-	-	328,321	328,321
		Suzhou Kenmec Property Development Ltd.	Other receivables	Y	160,728	110,200	110,200	3.65%~4.35%	〃	-	〃	-	-	-	328,321	328,321
		Kunshan Kunfu Electronic Materials Co., Ltd.	Other receivables	Y	2,253	2,204	2,204	4.35%	〃	-	〃	-	-	-	328,321	328,321
		KENTEC ELECTRONICS (SUZHOU) CO., LTD.	Other receivables	Y	19,681	-	-	4.35%	〃	-	〃	-	-	-	328,321	328,321
		KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	Other receivables	Y	74,936	-	-	4.35%	〃	-	〃	-	-	-	328,321	328,321
7	KENTEC INC.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	115,974	110,556	110,556	3.00%	〃	-	〃	-	-	-	126,344	252,688
		VIETNERGY COMPANY LIMITED	Other receivables	Y	97,268	-	-	3.00%	〃	-	〃	-	-	-	126,344	252,688
		TAISIC MATERIALS CO.	Other receivables	Y	24,000	-	-	2.00%	〃	-	〃	-	-	-	126,344	252,688
		Chief Global Logistics Co., Ltd.	Other receivables	Y	8,000	-	-	2.00%	〃	-	〃	-	-	-	126,344	252,688

Note 1: Number column description:

(1) 0 is reserved for issuer.

(2) Each invested company is numbered in sequential order starting from 1.

Note 2: KENMEC MECHANICAL ENGINEERING CO., LTD.'s limit of loans to others is calculated as follows:

Ceiling of loans to particular borrower: 20% of the Company's net value: \$3,607,808×20%=721,562

Ceiling of total loaning of funds: 40% of the Company's net value: \$3,607,808×40%=1,443,123

Note 3: KENMEC AUTOMATION ENGINEERING (KUNSHAN)'s limit of loans to others is calculated as follows:

Ceiling of loans to a single borrower: 40% of the Company's net value: RMB 51,293×40%＝RMB 20,517

The limit of total loaning of funds: 40% of the Company's net value: RMB 51,293×40%＝RMB 20,517

For the loaning of funds between the foreign companies that belong to the same parent company as the Company and whose 100% voting shares are held by the Company directly and indirectly, its amount is not subject to 40% of the net value.

Ceiling of loans to a single borrower: 100% of the Company's net value: RMB 51,293×100%＝RMB 51,293

The limit of total loaning of funds:100% of the Company's net value: RMB 51,293×100%＝RMB 51,293

Note 4: KENMEC TECHNOLOGY (FUQING) CO., LTD. was canceled on June 1, 2022.

Note 5: KENMEC TECHNOLOGY (SUZHOU) CO., LTD.'s limit of loans to others is calculated as follows:

Ceiling of loans to a single borrower: 40% of the Company's net value: RMB 57,083×40%＝RMB 22,833

The limit of total loaning of funds: 40% of the Company's net value: RMB 57,083×40%＝RMB 22,833

Note 6: Fraternity Trade Development (KunShan) Co., Ltd. was canceled on October 31, 2022.

Note 7: Tainergy Tech. Co., Ltd.'s limit of loans to others is calculated as follows:

Ceiling of loans to particular borrower: 20% of the Company's net value: \$2,173,085×20%=434,617

Ceiling of total loaning of funds: 40% of the Company's net value: \$2,173,085×40%=869,234

Note 8: Tainergy Technology (Kunshan) Co., Ltd.'s limit of loans to others is calculated as follows:

Ceiling of loans to a single borrower: 40% of the Company's net value: RMB 186,208×40%＝RMB 74,483

The limit of total loaning of funds: 40% of the Company's net value: RMB 186,208×40%＝RM 74,483

Note 9: KENTEC INC.'s limit of loans to others is calculated as follows:

Ceiling of loans to particular borrower: 20% of the Company's net value: \$631,721×20%=126,344

Ceiling of total loaning of funds: 40% of the Company's net value: \$631,721×40%=252,688

Note 10: The net value is determined based on the financial statements audited and certified by CPAs in the most recent year.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Endorsements/Guarantees for Others
2022

Table 2

Unit: NTD thousand

No. (Note 1)	Endorser/guarantor	Endorsee/guarantee		Limits on individual endorsements/ guarantees	Current maximum endorsement/ guarantee balance	Current endorsement/ guarantee balance – ending	Drawdown	Endorsement/ guarantee amount secured with property	Ratio of the cumulative endorsement/ guarantee amount to the net worth in the most recent financial statements (%)	Maximum endorsement/ guarantee limit	Endorsements/ guarantees made by the parent company for subsidiaries	Endorsements/ guarantees made by the subsidiaries for parent company	Endorsements/ guarantees made for the operations in Mainland China
		Company name	Relationship (Note 2)										
0	KENMEC MECHANICAL ENGINEERING CO., LTD.	KENMEC MECHATRONICS (SUZHOU) CO., LTD.	(3)	$ 2,886,246 (Note 3)	$ 76,120	$ -	$ -	$ - (Current deposit – reserve account)	-	$ 2,886,246 (Note 4)	Y	N	Y
		KENTEC INC.	(2)	2,886,246 (Note 3)	178,540	100,000	3,000	-	2.77%	2,886,246 (Note 4)	Y	N	N
1	Tainergy Tech. Co., Ltd.	VIETNERGY COMPANY LIMITED	(2)	1,738,468 (Note 5)	184,041	147,408	113,868	3,071	6.78%	1,738,468 (Note 6)	Y	N	N
		TAISIC MATERIALS CO.	(2)	- (Note 7)	150,000	-	-	-	-	1,738,468 (Note 6)	Y	N	N

Note 1: The number column is completed in the following manners:
(1) 0 is reserved for issuer.
(2) Each invested company is numbered in sequential order starting from 1.

Note 2: The relationship between the endorser/guarantor and endorsee/guarantee is classified into six categories as follows. It is only necessary to mark the type:
(1) A company which the Company has business dealings with.
(2) The company with the majority shareholdings of voting rights held by the Company directly and indirectly.
(3) The company holds the majority shareholdings of voting rights of the Company directly and indirectly,
(4) The company with more than 90% shareholdings of voting rights held by the Company directly and indirectly.
(5) The company needing mutual guarantee pursuant to an agreement in the same industry or between joint proprietors for undertaking engineering projects.
(6) The company received endorsements/guarantees from the shareholders proportionally to their shareholding due to a joint venture relationship.
(7) Escrow and joint and several guarantee of the contracts in the same industry that involve the transaction of pre-sale houses according to the Consumer Protection Act.

Note 3: Limits on individual endorsements/guarantees: No more than 80% of the Company's net value on December 31, 2022: $3,607,808×80%=2,886,246

Note 4: Maximum endorsement/guarantee limit: No more than 80% of the Company's net value on December 31, 2022: $3,607,808×80%=2,886,246

Note 5: Limits on individual endorsements/guarantees: No more than 80% of Tainergy Tech. Co. Ltd.'s net value on December 31, 2022: $2,173,085×80%=1,738,468

Note 6: Maximum endorsement/guarantee limit: No more than 80% of Tainergy Tech Co. Ltd.'s net value on December 31, 2022: $2,173,085×80%=1,738,468

Note 7: On July 15, 2022, the Group failed to increase the capital of Taisic Materials Co. in proportion to its shareholding, resulting in a decrease in the shareholding of Tainergy Tech Co., Ltd. from 55.41% to 47.656%. Taisic Materials Co. repaid the loan as an improvement plan on September 30, 2022 as an improvement plan.

Note 8: The net value is determined based on the financial statements audited and certified by CPAs in the most recent year.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Securities Held at the End of the Period
2022

Table 3

Unit: NTD and foreign currency (thousand)

Holding company	Type and name of securities	Relationship with the Issuer of Securities	Account title	At the end of the period				Remarks
				Number of shares	Book value	Shareholding percentage	Fair value	
KENMEC MECHANICAL ENGINEERING CO., LTD.	Fund beneficiary certificate							
	KGI Victory Money Market Fund	None	Financial assets mandatorily measured at fair value through profit or loss – current	15,487,528.17	$ 182,071		$ 182,071	
	TCB Money Market Fund	〃	〃	4,855,500.31	50,011		50,011	
	FSITC Taiwan Money Market	〃	〃	3,216,178.70	50,012		50,012	
					$ 282,094		$ 282,094	
	Overseas listed (OTC) stocks							
	EBS	〃	〃	39,800	$ 477		$ 477	
	SDT	〃	〃	33,120	150		150	
	PAN	〃	〃	64,687	1,248		1,248	
	SC5	〃	〃	34,848	764		764	
	HRC	〃	〃	35,000	2,483		2,483	
	HAC	〃	〃	93	1		1	
	IPA	〃	〃	370,800	5,692		5,692	
					$ 10,815		$ 10,815	
	Domestic non-listed (non-OTC) stocks							
	TeraSolar Energy Materials Corp.	The Company is a corporate director of the company	Financial assets mandatorily measured at fair value through profit or loss – non-current	1,776,637	$ 22,688	10.01%	$ 22,688	
	Tao Garden Hotel Co., Ltd.	〃	〃	5,000,000	43,600	16.64%	43,600	
	TMY Technology Inc.	None	〃	535,714	20,148	1.50%	20,148	
					$ 86,436		$ 86,436	
	United Information System Service Co., Ltd.	The Company is a corporate director of the company	Investment in equity instruments measured at fair value through other comprehensive income – non-current	780,000	$ 29,968	14.29%	$ 29,968	
	Ecatch Automation Co., Ltd.	〃	〃	90,000	900	15.00%	900	
	Meng-Lue Venture Investment Limited Partnership	〃	〃	-	7,500	8.33%	7,500	
					$ 38,368		$ 38,368	
KENTEC INC.	Domestic non-listed (non-OTC) stocks							
	3EGREEN TECHNOLOGY, INC.	〃	〃	139,096	$ -	6.93%	$	
	International non-listed stocks							
	MEDICUSTEK INTERNATIONAL INC.	〃	〃	1,333,333	$ -	2.42%	$	

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Holding company	Type and name of securities	Relationship with the Issuer of Securities	Account title	At the end of the period				Remarks
				Number of shares	Book value	Shareholding percentage	Fair value	
Hua-Xia Construction Co., Ltd.	Fund beneficiary certificate							
	FSITC Taiwan Money Market	None	Financial assets mandatorily measured at fair value through profit or loss – current	1,163,031.10	$ 18,086		$ 18,086	
Tainergy Technology (Kunshan) Co., Ltd.	Floating-rate financial products							
	Kunshan Rural Commercial Bank Sharing - Ririgin RMB Financial Commodity	〃	〃		$ 92,568		$ 92,568	
	Zhejiang Commercial Bank, Shengxin Ying B-1 Wealth Management Product	〃	〃		13,224		13,224	
	Zhejiang Commercial Bank, Shengxin Ying C-1 Wealth Management Product	〃	〃		44,521		44,521	
	Kunshan Rural Commercial Bank, Yueying RMB Financial Product	〃	〃		88,160		88,160	
					$ 238,473		$ 238,473	
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	Floating-rate financial products							
	Bank of Ningbo, Ningxing Tiantianliujin Financial Product	〃	〃		$ 35,264		$ 35,264	

Note: For more information on the investment in subsidiaries, affiliates and joint ventures, please refer to Table 8 and Table 9.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Aggregate Purchases or Sales of the Same Securities Reaching NTD 300 Million or More Than 20% of the Paid-in Capital
2022

Table 4

Unit: NTD thousand unless otherwise specified

Trading company	Type and name of securities	Account title	Counterparty	Relationship	At the beginning of the period		Purchase		Sale				At the end of the period	
					Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Selling price	Book cost	Losses and gains on disposal	Number of shares (thousand shares)	Amount
KENMEC MECHANICAL ENGINEERING CO., LTD.	FSITC Taiwan Money Market	Financial assets measured at fair value through profit or loss – current	-	-	18,104	$ 280,091	8,375	$ 130,000	23,262	$ 360,732	$ 360,000	$ 732	3,217	$ 50,012
KENMEC MECHANICAL ENGINEERING CO., LTD.	KGI Victory Money Market Fund	Financial assets measured at fair value through profit or loss – current	-	-	5,986	69,991	40,237	472,000	30,735	360,251	359,973	278	15,488	182,071
KENMEC MECHANICAL ENGINEERING CO., LTD.	TCB Taiwan Money Market	Financial assets measured at fair value through profit or loss – current	-	-	2,928	30,028	30,176	310,000	28,249	290,183	290,020	163	4,855	50,011

KENMEC MECHANICAL ENGINEERING CO., LTD.
Disposal of property reaching NTD 300 million or more than 20% of the paid-in capital
January 1 to December 31, 2022

Table 5

Unit: NTD and foreign currency (thousand)

Companies with real properties disposed of	Name of property	Date of occurrence	Original acquisition date	Book value	Transaction Amount	The receipt of the transaction price	Losses and gains on disposal	Counterparty	Relationship	Reason for disposal	Reference basis upon which the price was determined	Other special stipulations
Tainergy Technology (Kunshan) Co., Ltd.	Land use rights, land improvements and plant	October 27, 2022	May 2009	$ 662,476 RMB 149,672	$ 809,173 RMB 182,815	Collected	$ 146,697 RMB 33,143	Kunshan Changshunhong Energy Technology Co., Ltd.	—	Revitalization of assets	With reference to the appraisal report of professional appraisers and the result of the counterparty's negotiation	None

Note 1:The date of occurrence is the date of the transaction completion.
Note 2:The transaction amount is net of related taxes.

KENMEC MECHANICAL ENGINEERING CO., LTD.

Purchases or sales of goods from and to related parties reaching NTD 100 million or more than 20% of the paid-in capital

2022

Table 6

Unit: NTD thousand unless otherwise specified

Purchaser/seller	Counterparty	Relationship	Transaction				Trading conditions different from those of regular transactions and reasons thereof (Note 1)		Notes/accounts receivable (payable)		Remarks (Note 2)
			Purchase (sale)	Amount	Percentage in total purchases (sales)	Loan period	Unit price	Loan period	Balance	Percentage in total notes/ accounts receivable (payable)	
KENMEC MECHANICAL ENGINEERING CO., LTD.	TAISIC MATERIALS CO.	Subsidiary	Sale	$ 164,578	7.28%	T/T 90 days upon invoice date	—	—	$ 3,890	2.33%	
Tainergy Tech. Co., Ltd.	VIETNERGY COMPANY LIMITED	Subsidiary	Processing fee	880,677	38.64%	T/T 30 days upon invoice date	—	—	(114,767)	54.57%	Part of the processing cost amounting to NTD 3,185 thousand is recognized in other payables, accounting for 13.54% of other total payables.

Note 1:If the conditions of trading with related parties are different from those of regular transactions, the difference and the reasons thereof shall be indicated in the “price” and “loan period” columns.

Note 2:In case of receipts in advance or prepayments, the reasons, agreed terms and conditions, amount, and the different from regular transactions shall be indicated in the “Remark” column.

Note 3:Related transactions and period-end balances were removed from the consolidated financial statements.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Accounts Receivable from Related Parties Reaching NTD 100 Million or More Than 20% of Paid-in Capital
2022

Table 7

Unit: NTD and foreign currency (thousand)

Company Booking Accounts Receivable	Counterparty	Relationship	Balance of Accounts Receivable from Related Parties	Turnover Rate	Overdue Accounts Receivable from Related Parties		Subsequent Recovered Amount of Accounts Receivable from Related Parties	Appropriated allowance for loss
					Amount	Treatment		
KENMEC MECHANICAL ENGINEERING CO., LTD.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Subsidiary	Other receivables $ 437,172 RMB 70,899 USD 4,059	(Note 1)	$ -	—	$ 60,719	$ -
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Fellow subsidiary	Other receivables 105,292 RMB 23,887	(Note 1)	-	—	-	-
Tainergy Technology (Kunshan) Co., Ltd.	Suzhou Kenmec Property Development Ltd.	Fellow subsidiary	Other receivables 111,444 RMB 25,282	(Note 1)	-	—	-	-
KENTEC INC.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Fellow subsidiary	Other receivables 112,461 USD 3,662	(Note 1)	-	—	-	-
VIETNERGY COMPANY LIMITED	Tainergy Tech. Co., Ltd.	Parent company	Accounts receivable 117,952 USD 3,841	8.98	-	—	-	-

Note 1:This is the amount from loaning of funds, its interest is recognized in other receivables and not incorporated in the calculation of turnover rate.
Note 2:Related transactions and period-end balances were removed from the consolidated financial statements.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Name and Territory of Investees and Other Relevant Information
2022

Table 8

Unit: NTD and foreign currency (thousand)

Name of investor	Name of investee	Territory	Main business operation	Original investment amount: End of current period	Original investment amount: End of last year	Held at the end of the period: Number of shares	Held at the end of the period: Ratio (%)	Held at the end of the period: Book value	Current profit (loss) of investee	Profit (loss) from investments recognized in the current period	Remarks
KENMEC MECHANICAL ENGINEERING CO., LTD.	Kenmec International Holding (BVI) Co., Ltd.	Wickhams Cay 1 P.O. BOX 362 Road Town Tortola British Virgin Islands	Investment holding business	$ 1,168,764 USD 38,039	$ 1,268,529 USD 41,039	38,038,752	100	$ 5,514	$ 29,618	$ 34,866	Subsidiary
	Ample Assets Holdings Ltd.	Portcullis Trusnet Chambers,P.O. Box 1225,Apia,Samoa	Investment holding business	- USD -	138,746 USD 4,650	-	-	-	2,388	2,388	〃
	Tainergy Tech. Co., Ltd.	No. 5, Ziqiang 1st Rd., Zhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City	Research, design, manufacture and sale of solar cells and module-related systems	1,942,337	1,943,443	61,132,856	27.17	543,207	110,030	56,891	〃
	KENMEC VIETNAM COMPANY LIMITED	Plant B, Thach That – Quoc Oai Industrial Zone, Hanoi City, Vietnam	Manufacturing of electric water heaters, engineering machinery	122,347 USD 3,800	122,347 USD 3,800	-	100	105,344	3,162	3,162	〃
	KENTEC INC.	No. 385-3, Hongzhen Road, Pingzhen District, Taoyuan City	Manufacture of electronics parts and components	1,724,554	1,724,554	47,252,154	89.16	562,198	89,020	80,266	〃
	TAISIC MATERIALS CO.	No. 5, Ziqiang 1st Rd., Zhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City	Manufacturing and sales of electronic parts and components	107,000	37,000	4,400,000	8.80	26,798	(295,572)	(53,861)	〃
	Chief Global Logistics Co., Ltd.	5F, No. 95, Nangang Sec., Nangang Dist., Taipei City	Warehousing	10,400	1,000	1,040,000	52.00	18,288	18,359	10,718	〃
	Hua-Xia Construction Co., Ltd.	4F., No. 76, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City	Comprehensive Construction	30,980	30,980	3,000,000	100	17,872	(797)	(797)	〃
KENTEC INC.	Kenmec Communication Holding (BVI) Co., Ltd.	Wickhams Cay 1 P.O. BOX 3444 Road Town Tortola British Virgin Islands	Investment holding business	930,336 USD 28,087	930,336 USD 28,087	28,086,868	100	251,669	11,215	12,039	〃
Tainergy Tech. Co., Ltd.	Tainergy Tech Holding (Samoa) Co., Ltd.	TrustNet Chambers Lotemau Centre, P.O. BoX 1225, Apia, Samoa.	Investment business	2,211,921 RMB 456,201	2,211,921 RMB 456,201	-	100	820,831	149,697	149,697	〃
	VIETNERGY COMPANY LIMITED	Plant B, Thach That – Quoc Oai Industrial Zone, Quoc Oai District, Ha Noi City, Vietnam	Manufacture of high-tech solar cells and related cell components	1,465,491 USD 46,500	1,465,491 USD 46,500	-	100	467,200	189,504	167,665	〃
	Star Solar New Energy Co., Ltd.	11F.-8, No. 398, Huanbei Rd., Neighborhood 11, Xinjie Vil., Zhongli Dist., Taoyuan City	Solar power generation and sale of solar power systems	5,000	5,000	500,000	35.71	3,886	6,290	2,835	Associate
	TAISIC MATERIALS CO.	No. 5, Ziqiang 1st Rd., Zhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City	Manufacturing and sales of electronic parts and components	238,280	238,280	23,828,000	47.656	300,874	(295,572)	(148,808)	Subsidiary

Note 1: For more information on the investees in Mainland China, please refer to Table 9.
Note 2: Related transactions and period-end balances were removed from the consolidated financial statements.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Information on investments in Mainland China
2022

Table 9

Unit: NTD and foreign currency (thousand)

1. Information about investees in Mainland China, such as the name, main business operations, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment profit/loss, book value of investment, investment gain or loss having been remitted back:

Name of Chinese investees	Main business operation	Paid-in capital	Method of investment (Note 1)	Accumulated amount of investments from Taiwan at the beginning of the current period	Amount of investments remitted or recovered in current period		Accumulated amount of investments from Taiwan at the end of current period	Current profit (loss) of investee	The Company's shareholding of direct or indirect investment (%)	Profit (loss) from investments recognized in the current period (Note 2)	Book value of investment at ending	Profit received from investments as of end of current period	Remarks
					Remittance	Return							
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	T.F.T. process equipment, semiconductor process equipment, industrial conveying machinery, and automatic storage equipment.	$ 1,198,618 USD 38,800 (Note 3)	(2)-(1)	$ 1,076,543 USD 34,900	$ -	$ -	$ 1,076,543 USD 34,900	($ 30,571) (RMB 6,914)	100	($ 30,571) (RMB 6,914) (2)－B	($ 217,033) (RMB 49,236)	$ -	
KENMEC TECHNOLOGY (FUQING) CO., LTD.	Development, production and sales of new electronic components (chip components), digital audio and video coding equipment, portable microcomputers, new flat-panel displays.	- USD -	(2)-(1)	99,765 USD 3,000	-	99,765 USD 3,000	-	46,338 RMB 10,479	100	46,338 RMB 10,479 (2)－B	-	-	
Fraternity Trade Development (KunShan) Co., Ltd.	Tourism and leisure industry, such as management of hot spring hotels, health and leisure clubs, and slow living and light bite tourism	- USD -	(2)-(2)	134,189 USD 4,500	-	134,189 USD 4,500	-	2,699 RMB 610	100	2,699 RMB 610 (2)－B	-	-	
Suzhou Kenmec Property Development Ltd.	Real estate business	1,157,582 RMB 25,2000 (Note 4)	(2)-(3)	-	-	-	-	(72,284) (RMB 16,404)	76.88	(68,457) (RMB 15,525) (2)－B	604,936 RMB 137,236	-	
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	Automated flow line equipment and supporting equipment, display production equipment, semiconductor production equipment, etc.	266,914 RMB 60,000 (Note 5)	(2)-(1)	266,914 RMB 60,000	-	-	266,914 RMB 60,000	14,194 RMB 3,210	100	14,194 RMB 3,210 (2)－B	226,100 RMB 51,293	-	
KENTEC ELECTRONICS (SUZHOU) CO., LTD.	New electronic components (chip components), digital sounds, etc.	43,921 RMB 10,000	(2)-(7)	-	-	-	-	33,779 RMB 7,629	38.2	12,991 RMB 2,934	33,374 RMB 7,571	-	
KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	New electronic components (chip components), digital sounds, etc.	855,358 USD 26,800 (Note 5)	(2)-(4)	759,491 USD 23,900	-	92,790 USD 3,200	666,701 USD 20,700	11,217 RMB 2,549	90.34	10,133 RMB 2,303	227,304 RMB 51,566	-	
Tainergy Technology (Kunshan) Co., Ltd.	R&D, design, production of high-tech green cells (solar cells) and their components	2,206,989 USD 70,000	(2)-(5)	2,206,989 USD 70,000	-	-	2,206,989 USD 70,000	149,695 RMB 33,729	27.17	40,672 RMB 9,164 (2)－B	223,013 RMB 50,593	-	
Kunshan Kunfu Electronic Materials Co., Ltd.	Sales and manufacture of electronic materials and parts	19,242 USD 4,500 (Note 5)	(2)-(6)	-	-	-	-	(474) (RMB 107)	27.17	(129) (RMB 29) (2)－B	1,167 RMB 265	-	
Kunshan Jichang Energy Technology Co., Ltd.	Sale of solar power-related products	-	(2)-(6)	-	-	-	-	-	27.17	-	-	-	

Note 1: Investment is carried out through the following 3 means:
(1) Engaged in direct investment in Mainland China.
(2)-(1) Invested in Mainland China through Kenmec International Holding (BVI) Co., Ltd.
(2)-(2) Invested in Mainland China through Ample Assets Holdings Ltd.
(2)-(3) Invested in Mainland China jointly through Kenmec Mecha-Tronics (Suzhou) Co., Ltd. and Tainergy Technology (Kunshan) Co., Ltd.
(2)-(4) Invested in Mainland China through Kenmec Communication Holding (BVI) Co., Ltd.
(2)-(5)Invested in Mainland China through Tainergy Tech Holding (Samoa) Co., Ltd.
(2)-(6) Invested in Mainland China through Tainergy Technology (Kunshan) Co., Ltd.
(2)-(7) Invested in Mainland China through Kenmec Automation Engineering (Kunshan).

(3) Other means.

Note 2: In the “Profit (loss) from investments recognized in the current period” column:

(1) An indication is needed if the investment is under preparation and there is no profit or loss.

(2) There are the following three profit/loss recognition bases. The appropriate one must be indicated.

A. The financial statements audited and approved by an international accounting firm that has a collaboration relationship with an accounting firm in the Republic of China.

B. The financial statements audited and approved by a CPA of the parent company in Taiwan.

C. Other (the unaudited financial statements of the aforesaid investees for the same period).

Note 3: The earnings of the liquidated invested KENMEC Automation Engineering (Suzhou) Co., Ltd. Amounting to USD 3.90 million were used for capital increase.

Note 4: The operating funds of the invested KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. were used for reinvestment amounting to RMB 172 million and the operating funds of the invested Tainergy Technology (Kunshan) Co., Ltd. were used for investment amounting to RMB 80 million.

Note 5: The operating funds of the invested Tainergy Technology (Kunshan) Co., Ltd. were used for reinvestment amounting to RMB 4.5 million.

Note 6: In June 2021, Kenmec Technology (Suzhou) Co., Ltd. reduced its capital and refunded USD 15.2 million in shares.

2. Limit on the amount of investments in Mainland China:

Unit: foreign currency thousand/NTD thousand

Accumulated amount of investments from Taiwan to Mainland China at the end of current period (Note 7)	Investment amount approved by the Investment Commission, MOEA	Limit on the amount of investments in Mainland China specified by the Investment Commission, MOEA (Note 8)
$ 4,217,147 (USD 125,600, RMB 60,000)	$ 5,507,991 (USD 161,700, RMB 123,000) (Exchange rate:USD 30.71, RMB 4.408)	$ 2,164,685

Note 7: Including Huang Pin Electronics (Suzhou) Co Ltd. after its liquidation in February 2012, the accumulated amount of investments from Taiwan that had not been remitted back was NTD 23,395 thousand (USD 657 thousand).

Note 8: The Company recognizes the loss on the investment in Tainergy Tech. Co., Ltd. and KENTEC INC. under the equity method and exceeds the limit on the amount of investments in Mainland China specified by the Investment Commission, MOEA.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Information on Major Shareholders
2022

Table 10

Names of major shareholders	Shares	
	Number of shares held	Shareholding percentage
CHING-FU HSIEH	24,243,707	9.73%
YUEH-CHEN LIN	18,217,345	7.31%

Note 1: The information on major shareholders is acquired from the data of Taiwan Depository & Clearing Corporation with respect to the shareholders holding aggregately 5% or more of the common and special stocks of the Company that have been registered and delivered in dematerialized form (including treasury stocks) on the last business day at the end of the current quarter. The capital stock stated in the consolidated financial reports of the Company may be different from the number of stocks that have been actually registered and delivered in dematerialized form due to different bases of compilation and calculation.

Note 2: In case any shareholder who transferred their stocks to a trustee, the information on such shareholder was disclosed based on the account of the principal subject to the trust account opened by the trustee. As for a shareholder who declares insider shares of more than 10% shareholdings pursuant to the securities and exchange regulations, the number of shares held includes the shares of the shareholder and the shares that he/she transferred to a trustee and for which he/she has the right to determine the application of the trust property. For more information on the declaration of insider shares, refer to the MOPS.

§STATEMENTS OF MAJOR ACCOUNTING ITEMS§

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Cash and Cash Equivalents
December 31, 2022

Statement 1 Unit: NTD thousand

Item	Summary	Amount
Cash on hand		$ 1,090
Working fund		250
Bank deposit		
Check and demand deposit		135,562
Foreign currency demand deposit	Including USD 467 thousand @30.70	37,005
	JPY 23,305 thousand @0.2324	
	VND 4,568 thousand @0.0013	
	RMB 2,414 thousand @4.408	
	EUR 76 thousand @32.72	
	THB 8 thousand @0.894	
Cash equivalents		
Foreign currency time deposit with an initial maturity date within 3 months	Including USD 15,736 thousand @30.71	671,729
	RMB 11,000 thousand @4.408	
	NTD 140,000 thousand	
		$ 845,636

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Financial Assets Measured at Fair Value through Profit or Loss – Current
December 31, 2022

Statement 2 — Unit: NTD thousand unless otherwise specified

Name	Number of shares or unit	Par value	Amount	Unit price	Total
Current					
Domestic fund beneficiary certificate					
TCB Money Market Fund	4,855,500.31	-	$ 50,011	10.30	$ 50,011
FSITC Taiwan Money Market	3,216,178.70	-	50,012	15.55	50,012
KGI Victory Money Market Fund	15,487,528.17	-	182,071	11.76	182,071
			282,094		282,094
Overseas listed (OTC) stocks:					
HRC	35,000	-	2,483	15.35	2,483
EBS	39,800	-	477	12.00	477
HAC	93	-	1	6.97	1
SC5	34,848	-	764	21.93	764
PAN	64,687	-	1,248	19.29	1,248
SDT	33,120	-	150	4.52	150
IPA	370,800	-	5,692		5,692
			10,815		10,815
			$ 292,909		$ 292,909

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Accounts Receivable
December 31, 2022

Statement 3 Unit: NTD thousand

Name of Customer	Summary	Amount
Non-related party accounts:		
Chunghwa Post Co., Ltd.	Project income	$ 46,580
Free-Free Industrial Corp.	〃	42,400
Sunmake Enterprise Co., Ltd.	〃	19,531
Innolux Corporation Operator	〃	9,485
Walsin Lihwa Corporation	〃	8,978
Hong Da Logistics Co., Ltd.	〃	8,279
Others (Note)	〃	24,456
Less: Loss allowance		-
		159,709
Related party accounts:		
TAISIC MATERIALS CO.	Project income	3,890
VIETNERGY COMPANY LIMITED	〃	269
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	〃	70
		4,229
		$ 163,938

Note: The balance of all the accounts did not exceed 5% of the balance under this account.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Inventories
December 31, 2022

Statement 4

Unit: NTD thousand

Item	Summary	Amount	Cost and market price (whichever is lower)	
			Cost	Market price
Raw material	Project material	$217,395	$219,661	$218,787
Work in process		1,355	1,355	1,355
Finished goods		7,387	7,387	7,387
		$226,137	$228,403	$227,529

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Prepayments
December 31, 2022

Statement 5 | Unit: NTD thousand

Item	Summary	Amount
Prepayment for purchase		$ 39,398
Prepaid expenses	Overpaid tax retained for offsetting the future tax payable	19,832
	Service fee	17,640
	Others (Note)	15,580
		$ 92,450

Note: The balance of all the customers did not exceed the 5% of the balance of this item.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Changes in Financial Assets Measured at Fair Value through Profit or Loss – Non-current
2022

Statement 6

Unit: NTD thousand

	At the beginning of the period		Increase in the current period		Decrease in the current period		Fair value	At the end of the period			
Name of investee	Number of pieces	Book value	Number of pieces	Amount	Number of pieces	Amount	Evaluation	Number of pieces	Shareholding percentage (%)	Book value	Provided as guarantee or pledge
Domestic non-listed (non-OTC) common stocks											
TeraSolar Energy Materials Corp.	1,776,637	$ 30,380	-	$ -	-	$ -	($ 7,692)	1,776,637	10.01	$ 22,688	None
Tao Garden Hotel Co., Ltd.	5,000,000	28,950	-	-	-	-	14,650	5,000,000	16.64	43,600	〃
TMY Technology Inc.	535,714	14,770	-	-	-	-	5,378	535,714	1.50	20,148	〃
		$ 74,100		$ -		$ -	$ 12,336			$ 86,436	

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Changes in Financial Assets Measured at Fair Value through Other Comprehensive Income – Non-current
2022

Statement 7

Unit: NTD thousand

	At the beginning of the period		Increase in the current period		Decrease in the current period		Fair value	At the end of the period			
Name of investee	Number of pieces	Book value	Number of pieces	Amount	Number of pieces	Amount	Evaluation	Number of pieces	Shareholding percentage (%)	Book value	Provided as guarantee or pledge
Domestic non-listed (non-OTC) common stocks											
United Information System Service Co., Ltd.	780,000	$ 34,905	-	$ -	-	$ -	($ 4,937)	780,000	14.29	$ 29,968	None
Ecatch Automation Co., Ltd.	90,000	900	-	-	-	-	-	90,000	15.00	900	〃
Meng-Lue Venture Investment Limited Partnership	-	-	-	7,500	-	-	-	-	8.33	7,500	〃
		$ 35,805		$ 7,500		$ -	($ 4,937)			$ 38,368	

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Changes in Investment under Equity Method
2022

Statement 8

Unit: NTD thousand

	Balance – beginning of the period		Increase in the current period		Decrease in the current period (Note 1)							Balance – ending of the period			Market price or net equity (Note 3)		
Name of investee	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Investment profit (loss)	Unrealized profit/loss	Exchange differences on translation of financial statements of foreign operations	Net remeasurement of defined benefits plan	Others (Note 2)	Number of shares	Shareholding percentage (%)	Amount	Unit price (NTD)	Total price	Provided as guarantee or pledge
Publicly quoted common stocks																	
Tainergy Tech. Co., Ltd.	61,172,856	$ 388,772	-	$ -	(40,000)	($ 1,478)	$ 32,035	$ 24,502	$ 9,007	$ 224	$ 90,410	61,132,856	27.17	$ 543,472	27.8	$ 543,472	None
Non-publicly quoted common stocks																	
Kenmec International Holding (BVI) Co., Ltd.	41,038,752	136,359	-	-	-	(159,841)	34,806	62	(5,649)	-	(247)	41,038,752	100	5,490	0.13	5,490	None
Ample Assets Holdings Ltd.	4,650,000	117,454	-	-	(4,650,000)	(123,125)	2,387	-	3,284	-	-	-		-		-	None
KENMEC VIETNAM COMPANY LIMITED	-	122,358	-	-	-	(30,132)	3,163	-	9,955	-	-	-	100	105,344		105,344	None
KENTEC INC.	47,252,154	476,596	-	-	-	-	80,266	-	3,131	2,379	(174)	47,252,154	89.16	562,198	11.90	562,198	None
TAISIC MATERIALS CO.	3,700,000	18,785	700,000	70,000	-	-	(25,440)	(28,404)	-	-	(8,143)	4,400,000	8.6	26,798	6.09	26,798	None
Hua-Xia Construction Co., Ltd.	3,000,000	18,669	-	-	-	-	(797)	-	-	-	-	3,000,000	100	17,872	5.96	17,872	None
Chief Global Logistics Co., Ltd.	100,000	895	940,000	9,400	-	-	12,339	(1,621)	-	-	(2,725)	1,040,000	52	18,288	17.58	18,288	None
		$ 1,279,888		$ 79,400		($ 314,576)	$ 138,759	($ 5,461)	$ 19,728	$ 2,603	$ 79,121			$ 1,279,462		$ 1,279,462	

Note 1: The decrease in the year was mainly due to the remittance of the earnings from the sale of Tainergy Tech., Kenmec International Holding (BVI) Co., Ltd. and Kenmec Vietnam Company Limited, and the liquidation of Ample Assets Holdings Ltd.
Note 2: This was the actually acquired partial equity in subsidiaries of NTD (9,660) thousand and changes in equity ownership in subsidiaries of NTD 88,781 thousand.
Note 3: The net worth of equity of the non-publicly quoted common stocks was calculated based on the shareholders' equity of the investees and the shareholding ratio of the Company.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Accounts Payable
December 31, 2022

Statement 9 Unit: NTD thousand

Name of Customer	Summary	Amount
Non-related party accounts:		
BEUMER	Payment for purchase	$ 33,383
Vanderlande	〃	25,240
Others (Note)	〃	415,061
		473,684
Related party accounts:		
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Payment for purchase	25,816
		$ 499,500

Note: The balance of all the accounts did not exceed 5% of the balance under this account.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Operating Revenue
2022

Statement 10 Unit: NTD thousand

Item	Quantity	Amount
Sales revenue	-	$ 5,521
Project income	-	2,206,095
Service income	-	48,562
Total		$ 2,260,178

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Operating Costs
2022

Statement 11 Unit: NTD thousand

Item	Amount
Project cost	
Construction inventory – beginning	$ 50,918
Add: Purchase in current period	598,437
Construction in progress transferred-in	10,770
Return of residual material	(116)
Less: Cost to sell materials	(2,567)
Construction inventory – ending	(226,137)
Consumables in the current period	431,305
Contract work	987,492
Direct personnel	114,338
Manufacturing expense	232,142
Investment in the current period	1,765,277
Construction in progress – beginning	2,035,274
Add: Project income recognized under the percentage of completion method	2,195,674
Less: Advance construction payment receipts written off under the percentage of completion method	(1,204,431)
Transfer to construction repair cost	(39,373)
Transfer to Property, plant and equipment	(92,954)
Transfer to semi-finished goods	(10,770)
Abnormal capacity	(12,254)
Construction in progress – ending	(3,069,312)
	1,567,131
Other operating costs	
Cost to sell materials	2,567
Repair cost	39,373
Inventory devaluation loss	1,144
Revenue from sale of scraps	(1,658)
Abnormal capacity	12,254
	53,680
	$ 1,620,811

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Operating Expenses
2022

Statement 12 Unit: NTD thousand

Item	Marketing expense	Management and administrative expense	R&D expense	Total
Salary expense	$ 88,091	$ 99,367	$ 99,013	$ 286,471
Depreciation	6,596	17,064	1,418	25,078
Postage and phone/Fax expense	8,958	1,361	12	10,331
Doubtful account costs	-	(9,155)	-	(9,155)
Others (Note)	38,419	52,686	1,826	92,931
	$ 142,064	$ 161,323	$ 102,269	$ 405,656

Note: The balance of all the accounts did not exceed 5% of the balance under this account.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Current Employee Benefits, Depreciation and Amortization Expenses by Function
2022 and 2021

Statement 13 Unit: NTD thousand

	2022			2021		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense						
Salary expense	$ 154,038	$ 277,101	$ 431,139	$ 110,911	$ 209,652	$ 320,563
Insurance expense	18,441	11,277	29,718	16,056	11,696	27,752
Remuneration to directors	-	3,441	3,441	-	3,775	3,775
Pension expense	6,068	9,370	15,438	5,912	8,432	14,344
Other employee benefit expenses	5,244	4,012	9,256	3,041	2,486	5,527
	$ 183,791	$ 305,201	$ 488,992	$ 135,920	$ 236,041	$ 371,961
Depreciation expenses	$ 27,499	$ 25,078	$ 52,577	$ 25,053	$ 25,257	$ 50,310
Amortization expenses	$ 1,733	$ 1,937	$ 3,670	$ 2,959	$ 1,468	$ 4,427

Notes:

1. The number of employees in the current year and in the previous year was 375 and 339, respectively, and the number of directors who were not employees was 3 in both years.
2. The company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the information as follow:
   (1) The average employee benefit expenses in the current year were NTD 1,305 thousand (“Total employee benefit expenses in the current year - total remuneration to directors” / “Number of employees in the current year - number of directors who were not employees”).
   The average employee benefit expenses in the previous year were NTD 1,095 thousand (“Total employee benefit expenses in the previous year - total remuneration to directors” / “Number of employees in the previous year - number of directors who were not employees”).
   (2) The average employee salary expenses in the current year were NTD 1,159 thousand (Total salary expenses in the current year / “Number of employees in the current year - number of directors who were not employees”).
   The average employee salary expenses in the previous year were NTD 954 thousand (Total salary expenses in the previous year / “Number of employees in the previous year - number of directors who were not employees”).
   (3) The average employee salary expenses changed by 21.50% (“Average employee salary expense in the current year - average employee salary expense in the previous year” / average employee salary expense in the previous year).
   (4) The remuneration of NTD 0 to supervisors in the year and the remuneration of NTD 0 to supervisors in the previous year. (The Company has established the Audit Committee.)
3. Remuneration policy:
   Director remuneration policy
   The Articles of Incorporation of the Company shall apply. The remuneration distribution of the Company’s annual profit is determined with reference to the office term of the directors, the number of times directors attend board meetings, and their contribution to the Company (including but not limited to the number of the Company’s shares held and provision of endorsement/guarantee for the Company).
   Employee and managerial officer remuneration policy:
   To enhance the remuneration system applicable to the directors and managerial officers of the Company, the Remuneration Committee of the Company assesses the remuneration policy and system with regard to the directors and managerial officers of the Company from the objective and professional point of view. At least two meetings are held every year and extraordinary meetings can be held whenever necessary to assist the Board of Directors in assessing and monitoring the overall remuneration policy and raise proposals as a reference for the Board of Directors to make decision.

The Remuneration Committee of the Company shall refer to the remuneration level and payment status of other companies in the industry as well as the business operation of the Company, personal performance of the employee, and the operating risk in the future, and shall not induce directors and managerial officers to be engaged in the activities beyond the risk tolerance of the Company for the purpose of pursuing remuneration. With respect to the time to distribute bonus in proportion with the short-term performance of directors and managerial officers, or remuneration that is partially variable, the Remuneration Committee shall consider the characteristics of the industry and the business nature of the Company to decide the proper time to pay. The Remuneration Committee shall faithfully exercise the following duties with the due care of a good administrator and submit the suggestions to the Board of Directors for discussion:

(1) Ensure the level of the remuneration meets the requirement of labor laws and regulations and is good enough to attract the best talents.

(2) Establish and periodically review the policy, system, standard and structure with respect to the performance evaluation of directors and managerial officers and the level of remuneration.

(3) Establish and periodically evaluate the performance of the directors and managerial officers and the remuneration to them.

(4) The contents and amounts of the remuneration to the directors and managerial officers shall be determined in consideration of its reasonableness. The remuneration to the directors and managerial officers shall not substantially deviate from the financial performance.

Declaration of Consolidated Financial Report of Affiliated Companies

The companies to be included by the Company in the consolidated financial statement of affiliated enterprises in 2022 (January 1 to December 31, 2022) pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those to be included in the consolidated financial report of the parent company and subsidiaries pursuant to the Statement of International Financial Reporting Standards (IFRS) No. 10. Further, the related information to be disclosed in the consolidated financial report of affiliated enterprises has been disclosed in the said consolidated financial report of the parent company and subsidiaries. Accordingly, it is not necessary for the Company to prepare the consolidated financial report of affiliated enterprises separately.
In witness thereof, the Declaration is hereby presented.

Company name: Kenmec Mechanical Engineering Co., Ltd.

Person in charge: CHING-FU HSIEH

March 10, 2023

Independent Auditors' Report

To KENMEC MECHANICAL ENGINEERING CO., LTD.:

Audit opinion

We audited the consolidated balance sheets of KENMEC MECHANICAL ENGINEERING CO., LTD. and its subsidiaries (Kenmec Group) as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the periods from January 1 to December 31, 2022 and 2021, and the notes to the consolidated financial statements (including the summary of significant accounting policies).

In our opinion, the said consolidated financial reports were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and thus presented fairly, in all material aspects, the consolidated financial positions of the Kenmec Group as of December 31, 2022 and 2021, and the consolidated financial performance and cash flows for the periods from January 1 to December 31, 2022 and 2021.

Basis of Audit Opinions

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibilities under such standards are further described in the "CPA's responsibility for the audit of the consolidated financial statements" section in this report. We were independent of Kenmec Group, in accordance with the Norms of Professional Ethics for Certified Public Accountants and fulfilled all other responsibilities thereunder. We believe that we acquired sufficient and appropriate audit evidence to use as the basis of our audit opinions.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of Kenmec Group for the year of 2022. Such matters were addressed during the overall audit of the consolidated financial statements and the process of forming the audit opinions, and thus we did not provide opinions separately regarding such matters.

The key audit matters in the audit of the consolidated financial statements of Kenmec Group for the year of 2022 are as follows:

<u>Project incomes recognized on the basis of stage of completion</u>

The Company of the Group mainly engages in automation projects. Its project revenue is recognized based on the degree of completion of the contracts, of which the estimated total project cost is an important factor in calculating the percentage of completion. The estimated total costs of projects and contract items are evaluated and judged by management based on the nature of projects, estimated contract amounts, project approaches and work methods. However, due to the long duration of the work period, the contracts are likely to be affected by fluctuations in prices of raw materials and labor, as well as addition/reduction of projects, making them subject to inherent risks of complexity. As there is a certain degree of subjectivity in these estimates, the calculation of the percentage of revenue from the completion of some projects may have errors or have a significant impact on the misinterpretation of revenue in each period. Therefore, the total estimated cost for project contracts is a material estimate and judgment of the Company, hence it is considered a key audit item. For accounting policies and disclosure information relevant to the recognition of project income, see Notes 4, 5 and 27 to the financial statements.

For the above key audit matters, the audit procedures we performed are as follows:

1. To understand and test the Company's internal control procedures relevant to the preparation of the estimated total project cost.
2. To select samples and examine the documents of the Company's projects to confirm the reasonableness of the estimated total project cost.

<u>The verification of the revenue from shipment to certain customers</u>

The Group's Tainergy Tech Group is primarily engaged in the research, design, manufacture and sales of solar cells, modules and related systems. Based on materiality and the Statement on Auditing Standards (SAS), revenue recognition is presumed to have significant risks. We believe that the occurrence of sales revenue recognized by the Group from certain specific customers to be material to the financial statements and have determined that the authenticity of the sales revenue from certain specific customers is a critical issue for this year's audit. For the description of revenue recognition policies, see Note 4.

For the above key audit matters, the audit procedures we performed are as follows:

1. We knew and tested the design and implementation of the internal control related to the recognition of revenue from parts of certain customers.
2. We carried out population sampling for the revenue statements of the said parts of certain customers, reviewed relevant supporting documents, and examined the collection of payments to confirm the occurrence of sales transactions.
3. We reviewed any material sales returns and discounts occurring after the balance sheet date to make sure whether there was any material misstatement of the sales revenue from the parts of certain customers.

<u>Property, plant and equipment impairment</u>

As of December 31, 2022, the carrying value of the Group's property, plant and equipment was NTD 2,388,132 thousand, accounting for 21.52% of total assets, which was significant. For accounting policies and related disclosures on asset impairment assessment, please refer to Notes 4, 5 and 15 on the consolidated financial report.

As Taisic Materials Co. invests in the field of silicon carbide, the revenue is yet significantly shown, resulting in idle production capacity. Management expects that the future economic benefits of property, plant and equipment will be reduced, resulting in its recoverable amount of property, plant and equipment being less than the carrying amount. Therefore, the Group recognized an impairment loss of NTD 59,402 thousand in 2022.

Management evaluated the recoverable amount of the property, plant and equipment impairment mentioned above based on the model of fair value less cost to sell, while referring to the adoption of the opinions in the expert's report as the basis. As the method and key assumption parameters used in the evaluation of the expert's valuation report have a high degree of professional judgment, the evaluation of property, plant and equipment impairment is listed as a key audit item.

Our principal audit procedures for the above description include:

1. To understand management's process and approval process in evaluating the provision of impairment for property, plant and equipment.
2. We evaluated the professional experience, suitability and independence of the independent valuation experts appointed by management and verified the qualifications of the independent valuation experts. We also adopted our financial advisors to assist in the evaluation of the appropriateness of the methods and assumptions used by the independent valuation experts in the evaluation of fair value.

3. We have used our financial advisors to assist in sampling parameters and historic information or external information used by the independent valuation experts to ensure the reasonableness of the valuation parameters used.

Other Matters

For the parent company only financial statements prepared by Kenmec Mechanical Engineering Co., Ltd. in 2022 and 2021, we had an independent auditors' report issued with an unqualified opinion for reference.

Responsibility of the management and governance unit for the consolidated financial statements

Management was responsible for preparation of the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations and the statements of interpretation approved and released by the Financial Supervisory Commission and maintaining the necessary internal control related to preparation of the consolidated financial statements to ensure that the consolidated financial statements were free of material misstatement due to fraud or error.

During preparation of the consolidated financial statements, management was also responsible for evaluating Kenmec Group's ability as a going concern, disclosure of relevant matters, and application of the going concern basis of accounting unless management intended to make Kenmec Group enter into liquidation or terminate its operations, or there were no other actual or feasible solutions other than liquidation or termination of its operations.

Kenmec Group's governance unit (including the Audit Committee) was responsible for supervising the financial reporting procedures.

CPA's responsibility for the audit of the consolidated financial statements

We audited the consolidated financial statements for the purpose of obtaining reasonable assurance about whether the consolidated financial statements were free of material misstatement due to fraud or error and issuing an audit report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. The misstatements might be due to fraud or error. If the individual or total amount misstated was reasonably expected to have an impact on the economic decision-making of the users of the consolidated financial statements, the misstatement was deemed material.

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also performed the following works:

1. We identified and assessed the risk of any misstatement in the consolidated financial statements due to fraud or error, designed and implemented response measures suitable for the evaluated risks, and acquired sufficient and appropriate audit evidence to use as the basis of our audit opinions. Fraud may involve collusion, forgery, omission on purpose, fraudulent statements or violation of internal control, and we did not find that the risk of material misstatement due to fraud was higher than the same due to error.
2. We understood the internal control related to the audit to an extent necessary to design audit procedures applicable to the current circumstances. However, the purpose of such work was not to express opinions regarding the effectiveness of Kenmec Group's internal control.
3. We evaluated the appropriateness of the accounting policies adopted by management and the rationality of the accounting estimates and relevant disclosure made by management.
4. We drew a conclusion about the appropriateness of the application of the going concern basis of accounting by management and whether the event or circumstances which might cause major doubts about Kenmec Group's ability as a going concern had a material uncertainty. If any material uncertainty was deemed to exist in such event or circumstance, we must provide

a reminder in the audit report for the users of the consolidated financial statements to pay attention to the relevant disclosures therein, or amend our audit opinions when such disclosures were inappropriate. Our conclusion was drawn based on the audit evidence acquired as of the date of this audit report. However, future events or circumstances might result in a situation where Kenmec Group, would no longer have its ability as a going concern.

5. We evaluated the overall presentation, structure, and contents of the consolidated financial statements (including the relevant notes) and whether the consolidated financial statements presented relevant transactions and events fairly.
6. We acquired sufficient and appropriate audit evidence for the financial information of the entities forming the Group to provide opinions regarding the consolidated financial statements. We were responsible for instruction, supervision and conduct of the Group's audit cases, as well as the expression of the audit opinions for the Group.

The matters for which we communicated with the governance unit include the planned audit scope and time, as well as major audit findings (including the significant deficiencies of the internal control identified during the audit).

We also provided a declaration of independence to the governance unit, which assured that we complied with the requirements related to independence in the Norm of Professional Ethics for Certified Public Accountant, and communicated all relationships and other matters (including relevant protective measures) which we deemed to be likely to cause an impact on the independence of CPAs to the governance unit.

We determined the key audit matters to be audited in Kenmec Group consolidated financial statements in 2022 based on the matters communicated with the governance unit. We specified such matters in the audit report except when public disclosure of certain matters was prohibited by related laws or regulations, or when, in very exceptional circumstances, we determined not to cover such matters in the audit report as we could reasonably expect that the negative impact of the coverage would be greater than the public interest brought thereby.

Deloitte & Touche Taiwan
CPA LI-HUANG LI

CPA PO-JEN WENG

Approval No. from the Securities and Futures Commission
Tai-Cai-Zheng-Liu-Zi No. 0930128050

Approval No. from the Financial Supervisory Commission
Jin-Guan-Zheng-Shen-Zi No. 1010028123

March 28, 2023

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31, 2022 and December 31 and January 1, 2021

Unit: NTD thousand

		December 31, 2022		December 31, 2021 (after restatement)		January 1, 2021 (after restatement)	
Code	Assets	Amount	%	Amount	%	Amount	%
	Current assets						
1100	Cash and cash equivalents (Note 6)	$ 2,103,295	19	$ 1,320,252	13	$ 1,207,173	12
1110	Financial assets measured at fair value through profit or loss – current (Note 7)	584,732	5	652,480	6	331,014	3
1136	Financial assets measured at amortized cost – current (Note 9)	305,189	3	314,006	3	565,047	6
1140	Contract assets – current (Notes 25 and 27)	454,410	4	444,997	4	449,254	4
1150	Notes receivable – non-related parties (Note 10)	59,141	-	47,453	-	49,325	1
1160	Notes receivable – related parties, net (Notes 10 and 39)	61,718	1	-	-	-	-
1170	Accounts receivable – non-related parties (Note 10)	343,953	3	507,909	5	485,973	5
1180	Accounts receivable – related parties (Notes 10 and 39)	13,104	-	2,702	-	-	-
1200	Other receivables (Note 10)	37,508	-	24,639	-	34,042	-
1210	Other receivables – related parties (Notes 10 and 39)	69,844	1	38,381	-	-	-
1220	Current income tax assets (Note 29)	9,878	-	1,005	-	9,169	-
130X	Inventory (Note 11)	987,863	9	1,015,198	10	1,790,498	17
1421	Prepayments (Note 19)	213,171	2	188,296	2	163,491	2
1460	Non-current assets held for sale (Note 12)	298,309	3	894,761	9	-	-
1470	Other current assets (Note 19)	275,049	2	187,313	2	323,453	3
11XX	Total current assets	5,817,164	52	5,639,392	54	5,408,439	53
	Non-current assets						
1510	Financial assets measured at fair value through profit or loss – non-current (Note 7)	86,436	1	74,100	1	44,141	1
1517	Financial assets measured at fair value through other comprehensive income – non-current (Note 8)	38,368	-	35,805	-	28,145	-
1535	Financial assets measured at amortized cost – non-current (Note 9)	76,609	1	39,803	-	28,539	-
1550	Investment under the equity method (Note 14)	37,260	-	17,178	-	1,685	-
1600	Property, plant and equipment (Note 15)	2,388,132	22	2,550,447	24	3,303,281	32
1755	Right-of-use assets (Note 16)	503,275	5	534,067	5	278,111	3
1760	Investment property (Note 17)	1,154,309	10	1,077,479	10	450,396	5
1780	Other intangible assets (Note 18)	15,384	-	22,287	-	24,833	-
1840	Deferred income tax assets (Note 29)	177,246	2	188,427	2	244,566	2
1915	Prepayment for equipment (Note 19)	106,341	1	86,190	1	15,706	-
1920	Guarantee deposits paid (Note 19)	32,083	-	46,874	1	232,687	2
1990	Other non-current assets (Notes 10, 19 and 24)	662,381	6	186,948	2	191,404	2
15XX	Total non-current assets	5,277,824	48	4,859,605	46	4,843,494	47
1XXX	Total assets	$ 11,094,988	100	$ 10,498,997	100	$ 10,251,933	100
Code	Liabilities and equity						
	Current liabilities						
2100	Short-term loans (Note 20)	$ 333,682	3	$ 440,070	4	$ 980,028	10
2130	Contract liabilities – current (Note 25 and 27)	1,279,430	11	1,336,926	13	747,930	7
2150	Notes payable – non-related parties (Note 21)	1,348	-	11,396	-	162,121	2
2170	Accounts payable – non-related parties (Note 21)	644,196	6	527,506	5	481,606	5
2180	Accounts payable – related parties (Note 21 and 39)	2,129	-	34,521	-	-	-
2200	Other payables (Note 22)	537,330	5	413,280	4	867,142	9
2220	Other payables – related parties (Notes 22 and 39)	3,755	-	7,791	-	-	-
2230	Current income tax liabilities (Note 29)	4,621	-	5,645	-	15,927	-
2250	Liability reserve – current (Note 23)	24,289	-	20,417	-	30,679	-
2260	Liabilities directly related to non-current assets held for sale (Note 12)	-	-	51,739	1	-	-
2280	Lease liabilities – current (Note 16)	35,518	-	18,053	-	26,835	-
2315	Other receipts in advance (Note 22)	-	-	818,065	8	-	-
2313	Deferred income (Notes 22)	1,095,670	10	415,244	4	-	-
2320	Long-term liabilities due within one year (Note 20)	117,252	1	243,743	2	229,868	2
2399	Other current liabilities (Note 22)	67,855	1	53,444	1	19,665	-
21XX	Total current liabilities	4,147,075	37	4,397,840	42	3,561,801	35
	Non-current liabilities						
2540	Long-term loans (Note 20)	905,441	8	790,723	7	760,485	7
2550	Liability reserve – non-current (Note 23)	2,063	-	2,278	-	2,575	-
2570	Deferred income tax liabilities (Note 29)	57,978	-	61,948	1	57,507	-
2580	Lease liabilities – non-current (Note 16)	309,551	3	333,821	3	84,046	1
2630	Long-term deferred income (Notes 22 and 31)	61,759	1	62,997	1	110,393	1
2640	Net defined benefit liabilities – non-current (Note 24)	61,693	1	78,820	1	93,177	1
2670	Other non-current liabilities (Note 22)	34,536	-	38,485	-	279,420	3
25XX	Total non-current liabilities	1,433,021	13	1,369,072	13	1,387,603	13
2XXX	Total liabilities	5,580,096	50	5,766,912	55	4,949,404	48
	Equity attributable to the owner of the Company (Note 26)						
3110	Common stock capital	2,490,112	22	2,490,112	24	2,490,112	24
3200	Capital reserves	293,869	3	604,226	6	903,455	9
	Retained earnings						
3310	Legal reserves	134,786	1	134,786	1	134,786	2
3320	Special reserves	319,117	3	328,572	3	328,572	3
3350	Undistributed earnings	633,963	6	140,019	2	419,464	4
3300	Total retained earnings	1,087,866	10	603,377	6	882,822	9
	Other equity						
3410	Exchange differences on translation of financial statements of foreign operations	(229,740)	(2)	(256,306)	(3)	(264,268)	(3)
3420	Unrealized profit/loss on valuation of financial assets measured at fair value through other comprehensive income	(11,507)	-	(6,966)	-	(14,649)	-
3400	Total of other equity	(241,247)	(2)	(263,272)	(3)	(278,917)	(3)
3500	Treasury stocks	(22,792)	-	(49,596)	(1)	-	-
31XX	Total equity of the Company's owner	3,607,808	33	3,384,847	32	3,997,472	39
36XX	Non-controlling interests (Notes 26 and 35)	1,907,084	17	1,347,238	13	1,305,057	13
3XXX	Total equity	5,514,892	50	4,732,085	45	5,302,529	52
	Total liabilities and equity	$ 11,094,988	100	$ 10,498,997	100	$ 10,251,933	100

The attached notes are part of the consolidated financial report.

Chairman: CHING-FU HSIEH   Manager: CHING-FU HSIEH   Accounting Manager: CHIN-I LAI

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to December 31, 2022 and 2021

Unit: NTD thousand; however earnings (loss) per share is in NTD

Code		2022 Amount	2022 %	2021 (after restatement) Amount	2021 (after restatement) %
	Operating revenue				
4100	Operating revenue (Note 27)	$ 5,359,208	100	$ 4,039,778	100
	Operating costs				
5110	Operating costs (Note 11)	(4,361,125)	(81)	(3,871,001)	(96)
5900	Operating gross profit	998,083	19	168,777	4
	Operating expenses (Notes 28 and 39)				
6100	Marketing expense	(151,653)	(3)	(137,282)	(3)
6200	Administrative expense	(565,758)	(11)	(587,211)	(14)
6300	R&D expense	(254,970)	(5)	(161,342)	(4)
6450	Expected credit impairment recovery profit (loss)	27,323	1	(30,455)	(1)
6000	Total operating expenses	(945,058)	(18)	(916,290)	(22)
6900	Operating profit (loss) – net	53,025	1	(747,513)	(18)
	Non-operating revenue and expenses (Notes 14, 28 and 39)				
7100	Interest income	23,693	-	13,129	-
7010	Other revenue	163,509	3	115,976	3
7020	Other profits and losses	241,682	5	(233,921)	(6)
7050	Financial costs	(41,287)	(1)	(55,848)	(1)
7060	The share of the profit or loss of affiliated companies, joint ventures that adopt equity method	15,826	-	288	-
7000	Total non-operating revenue and expenses	403,423	7	(160,376)	(4)
7900	Net profit (loss) before tax	456,448	8	(907,889)	(22)
7950	Income tax expense (Note 29)	(12,698)	-	(65,832)	(2)
8200	Current net profit (loss)	443,750	8	(973,721)	(24)

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Code		2022 Amount	2022 %	2021 (after restatement) Amount	2021 (after restatement) %
	Other comprehensive income				
	Titles not reclassified as profit or loss:				
8311	Remeasurement of the defined benefit plan (Note 24)	$ 19,465	-	$ 10,085	-
8316	Unrealized valuation profit/loss on investment in equity instruments measured at fair value through other comprehensive income (Note 26)	(5,396)	-	7,660	-
8349	Income tax relating to non-reclassified items (Note 29)	(3,219)	-	(1,862)	-
8310		10,850	-	15,883	-
	Titles likely to be reclassified as profit or loss subsequently:				
8361	Exchange differences on translation of financial statements of foreign operations (Note 26)	43,576	1	30,961	1
8399	Income tax related to items likely to be reclassified (Note 29)	(1,190)	-	(6,888)	-
8360		42,386	1	24,073	1
8300	Other comprehensive income (after tax) in the year	53,236	1	39,956	1
8500	Total comprehensive income for the year	$ 496,986	9	($ 933,765)	(23)
	Net profit (loss) attributable to:				
8610	The owner of the Company	$ 470,074	9	($ 287,356)	(7)
8620	Non-controlling equity	(26,324)	(1)	(686,365)	(17)
8600		$ 443,750	8	($ 973,721)	(24)
	Total comprehensive income attributable to:				
8710	The owner of the Company	$ 498,732	9	($ 269,562)	(7)
8720	Non-controlling equity	(1,746)	-	(664,203)	(16)
8700		$ 496,986	9	($ 933,765)	(23)
	Earnings (losses) per share (Note 30)				
9750	Basic	$ 1.91		($ 1.16)	
9850	Diluted	$ 1.89		($ 1.16)	

The attached notes are part of the consolidated financial report.

Chairman: CHING-FU HSIEH Manager: CHING-FU HSIEH Accounting Manager: CHIN-I LAI

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

		Equity attributable to the owner of the Company											
		Share capital			Retained earnings			Other equity					
Code		Number of shares (thousand shares)	Common stock capital	Capital reserves	Legal reserves	Special reserves	Undistributed earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized profit/loss on valuation of financial assets measured at fair value through other comprehensive income	Treasury stocks	Total	Non-controlling equity	Total equity
A1	Balance on January 1, 2021	249,011	$ 2,490,112	$ 903,455	$ 134,786	$ 328,572	$ 419,348	($ 264,268)	($ 14,649)	$ -	$ 3,997,356	$ 1,304,763	$ 5,302,119
A3	Effects of retroactive applications and retroactive restatement	-	-	-	-	-	116	-	-	-	116	294	410
A5	Balance after restatement on January 1, 2021	249,011	2,490,112	903,455	134,786	328,572	419,464	(264,268)	(14,649)	-	3,997,472	1,305,057	5,302,529
	Other changes in capital reserves:												
C15	Cash dividends distributed from capital reserves	-	-	(370,517)	-	-	-	-	-	-	(370,517)	-	(370,517)
M5	Actual acquisition or disposal of part of interests in subsidiaries	-	-	66,032	-	-	-	5,586	23	-	71,641	(59,361)	12,280
M7	Changes in ownership interests in subsidiaries	-	-	5,256	-	-	-	-	-	-	5,256	(5,256)	-
D1	Net profit in 2021	-	-	-	-	-	(287,356)	-	-	-	(287,356)	(686,365)	(973,721)
D3	Other comprehensive income after tax in 2021	-	-	-	-	-	7,911	2,376	7,660	-	17,947	22,009	39,956
D5	Total comprehensive income in 2021	-	-	-	-	-	(279,445)	2,376	7,660	-	(269,409)	(664,356)	(933,765)
L1	Treasury stocks purchased	-	-	-	-	-	-	-	-	(49,596)	(49,596)	-	(49,596)
O1	Changes in non-controlling interests (Note 35)	-	-	-	-	-	-	-	-	-	-	771,154	771,154
Z1	Balance on December 31, 2021	249,011	2,490,112	604,226	134,786	328,572	140,019	(256,306)	(6,966)	(49,596)	3,384,847	1,347,238	4,732,085
	Allocation and distribution of earnings in 2021												
B3	Special reserves	-	-	-	-	(9,455)	9,455	-	-	-	-	-	-
B5	Cash dividends to the shareholders of the Company	-	-	(395,218)	-	-	-	-	-	-	(395,218)	-	(395,218)
M3	Disposal of investment under the equity method	-	-	-	-	-	-	7,960	-	-	7,960	-	7,960
	Other changes in capital reserves:												
C7	Changes in affiliates recognized under the equity method	-	-	-	-	-	(247)	-	-	-	(247)	-	(247)
M5	Actual acquisition or disposal of part of interests in subsidiaries	-	-	(9,716)	-	-	-	68	1	-	(9,647)	9,647	-
M7	Changes in ownership interests in subsidiaries	-	-	89,230	-	-	-	-	-	-	89,230	(89,230)	-
N1	Employee stock options issued by the Company	-	-	5,347	-	-	-	-	-	74,841	80,188	28	80,216
Q1	Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	(810)	-	810	-	-	-	-
D1	Net profit in 2022	-	-	-	-	-	470,074	-	-	-	470,074	(26,324)	443,750
D3	Other comprehensive income after tax in 2022	-	-	-	-	-	15,472	18,538	(5,352)	-	28,658	24,578	53,236
D5	Total comprehensive income in 2022	-	-	-	-	-	485,546	18,538	(5,352)	-	498,732	(1,746)	496,986
L1	Treasury stocks purchased	-	-	-	-	-	-	-	-	(48,037)	(48,037)	-	(48,037)
O1	Changes in non-controlling interests (Note 35)	-	-	-	-	-	-	-	-	-	-	641,147	641,147
Z1	Balance on December 31, 2022	249,011	$ 2,490,112	$ 293,869	$ 134,786	$ 319,117	$ 633,963	($ 229,740)	($ 11,507)	($ 22,792)	$ 3,607,808	$ 1,907,084	$ 5,514,892

The attached notes are part of the consolidated financial report.

Chairman: CHING-FU HSIEH   Manager: CHING-FU HSIEH   Accounting Manager: CHIN-I LAI

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flow
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

Code		2022	2021 (after restatement)
	Cash flow from operating activities		
A10000	Net profit (loss) before tax in the year	$ 456,448	($ 907,889)
A20010	Profit and expense/loss:		
A20100	Depreciation expenses	336,918	381,832
A20200	Amortization expenses	7,188	19,758
A20300	Expected credit impairment recovery profit (loss)	(27,323)	30,455
A20400	Net loss (profit) on financial assets and liabilities measured at fair value through profit or loss	3,988	(49,173)
A20900	Financial costs	41,287	55,848
A21200	Interest income	(23,693)	(13,129)
A21300	Dividend revenue	(2,097)	(1,955)
A21900	Compensation cost of employee stock options	5,600	12,280
A22300	The share of the profit or loss of affiliated companies, joint ventures that adopt equity method	(15,826)	(288)
A22500	Profit on disposal of property, plants and equipment	(63,224)	(3,823)
A22700	Disposal of investment property benefits	(49,766)	(57,788)
A22800	Disposal of gains in right-of-use assets	(37,509)	-
A23000	Gains on disposal of non-current assets held for sale	(146,853)	-
A23700	Impairment loss from non-financial assets	77,793	329,114
A23800	Profit on reversal of impairment loss from non-financial assets	(2,973)	(13,288)
A22900	Profit (loss) on lease modification	(86)	(172)
A29900	Reversal of deferred income	(46,306)	-
A30000	Net changes in operating assets and liabilities		
A31125	Contract assets	(102,367)	1,176
A31130	Notes receivable	(11,688)	1,872
A31140	Notes receivable – related parties	(61,718)	-
A31150	Accounts receivable	191,279	(52,813)
A31160	Accounts receivable – related parties	(10,402)	(2,702)
A31180	Other receivables	1,616	10,863
A31190	Other receivables – related parties	7,497	-
A31200	Inventory	28,269	95,594
A31230	Prepayments	(22,836)	(11,620)
A31240	Other current assets	(87,736)	136,140

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Code		2022	2021 (after restatement)
A31990	Other non-current assets	$ 20,932	($ 9,749)
A32125	Contract liabilities	(57,496)	588,996
A32130	Notes payable	(10,048)	(150,725)
A32150	Accounts payable	116,690	45,900
A32160	Accounts payable – related parties	(32,392)	34,521
A32180	Other payables	98,799	(140,670)
A32190	Other payables – related parties	(4,036)	7,791
A32200	Liability reserve	3,657	(10,559)
A32210	Other receipts in advance	27,420	-
A32230	Other current liabilities	(23,999)	851,844
A32240	Net defined benefit liabilities	(331)	(6,955)
A32990	Deferred income	675,508	411,024
A33000	Cash generated from operations	1,260,184	1,581,710
A33100	Interest received	20,117	12,883
A33300	Interest paid	(41,532)	(55,922)
A33500	Income tax paid	(19,793)	(8,687)
AAAA	Net cash inflow from operating activities	1,218,976	1,529,984
	Cash flows from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(7,959)	-
B00040	Acquisition of financial assets measured at amortized cost	(27,989)	-
B00050	Disposal of financial assets measured at amortized cost	-	239,777
B00100	Acquisition of financial assets designated as measured at fair value through profit or loss	(1,424,856)	(2,062,355)
B00200	Disposal of financial assets designated as measured at fair value through profit or loss	1,465,371	1,774,311
B01800	Acquisition of associates	(4,306)	(10,860)
B02000	Increase in prepayments for investment	(493,696)	-
B02200	Net cash outflow from acquisition of subsidiaries	-	(30,979)
B02300	Net cash outflow from disposal of subsidiaries	-	(4,024)
B02700	Purchase of property, plants and equipment	(225,995)	(1,007,308)
B02800	Proceeds from disposal of property, plant and equipment	68,476	46,703
B09900	Proceeds from disposal of right-of-use assets	41,286	-
B03800	Decrease in guarantee deposits paid	14,791	177,309
B04300	Other receivables – related parties	(38,960)	(19,422)
B04500	Purchase of intangible assets	(13,611)	(5,192)
B05400	Acquisition of right-of-use assets	(2,224)	(98,642)
B05500	Disposal of investment property price	108,784	90,559

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Code		2022	2021 (after restatement)
B07600	Dividends received	$ 2,097	$ 1,955
B07100	Increase in prepayments for equipment	(31,311)	(74,605)
BBBB	Net cash outflow from investing activities	(570,102)	(982,773)
	Cash flows from financing activities		
C00200	Decrease in short-term loans	(106,388)	(539,958)
C01600	Borrowing of long-term loans	403,630	367,587
C01700	Repayment of long-term loans	(415,403)	(323,474)
C03100	Decrease in guarantee deposits received	(3,949)	(240,935)
C04200	Repayment of the principal of leases	(28,866)	(38,995)
C04500	Payment of dividends to the owner of the Company	(395,218)	(370,517)
C04800	Purchase of treasury stocks	(48,037)	(49,596)
C04900	Payment of costs of transactions in treasury stocks	(225)	-
C05100	Purchase of treasury stocks by employees	74,841	-
C05500	Disposal of equity in subsidiaries	7,960	-
C05800	Changes in non-controlling interests (Note 35)	641,147	771,154
CCCC	Net cash inflow (outflow) from financing activities	129,492	(424,734)
DDDD	Effect of exchange rate changes on cash and cash equivalents	4,677	(9,398)
EEEE	Net increase in cash and cash equivalents	783,043	113,079
E00100	Balance of cash and cash equivalents at beginning of the year	1,320,252	1,207,173
E00200	Balance of cash and cash equivalents at ending of the year	$ 2,103,295	$ 1,320,252

The attached notes are part of the consolidated financial report.

Chairman: CHING-FU HSIEH　　Manager: CHING-FU HSIEH　　Accounting Manager: CHIN-I LAI

XXXIX. Company milestones

KENMEC MECHANICAL ENGINEERING CO., LTD. (hereinafter referred to as the Company) was established in July 1976 focusing on the design, machining, manufacturing and trading of industrial machines and steel angle frames; import and export of machinery, hardware, office equipment, and electric machinery; machining, manufacturing and trading of transfer lines, robot production lines, flexible manufacturing systems, automatic conveyors, automatic pallet stackers, automatic warehousing equipment, unmanned trucks, and robotic arms; manufacturing, machining and trading of computer and optical communication products and their components; agent of domestic and foreign manufacturers for manufacturing, trading, quoting and bidding of the aforementioned products.

The Company has traded on Taipei Exchange as of January 23, 2002.

The consolidated financial report is expressed in New Taiwan dollars, the functional currency of the Company.

XL. Approval date and procedures of the financial report

The consolidated financial reports were approved at the Board meeting on March 10, 2023.

XLI. Application of new and amended standards and interpretation

(I) The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations (IFRIC) and the statements of interpretation (SIC) (hereinafter collectively referred to as "IFRSs") approved and released by the Financial Supervisory Commission (hereinafter referred to as "FSC") are applied for the first time.

Apart from those described below, the Group expected no material changes to the accounting policies of the Group after adopting the amended IFRSs approved and released by the FSC:

Amendments to IAS 16, "Property, Plant and Equipment: Proceeds before Intended Use"

This amendment applies to plant, property and equipment of the Group in the location and condition necessary for the Group to achieve management's intended mode of operation after January 1, 2021. The amendment stipulates that it is inappropriate that the sale proceeds of the items developed in order to bring property, plant and equipment to the location and condition necessary to meet the operation as expected by management are stated as a deduction from the cost of the assets. The items mentioned above shall be measured based on IAS 2 "Inventory," and the sale proceeds and costs of such items shall be recognized as profit or loss according to the applicable standards. For related accounting policies, please refer to Note 4.

Upon application of amendment to IAS 16, the Group retroactively restates the comparative period information and the cumulative effect is recognized under retained earnings as of January 1, 2021.

Upon initial adoption of the amendment, the estimated effects in 2021 are as follows:

	Book value	Adjustments for initial application	Book value after adjustment
Effects of assets, liabilities and equity			
December 31, 2021			
Property, plant and equipment	$ 2,568,926	($ 18,479)	$ 2,550,447
Effects of assets	$ 2,568,926	($ 18,479)	$ 2,550,447
Retained earnings	$ 144,392	($ 4,373)	$ 140,019
Non-controlling equity	1,361,344	(14,106)	1,347,238
Effects of equity	$ 1,505,736	($ 18,479)	$ 1,487,257
January 1, 2021			
Effects of inventory	$ 1,784,535	$ 5,963	$ 1,790,498
Property, plant and equipment	3,308,834	(5,553)	3,303,281
Effects of assets	$ 5,093,369	$ 410	$ 5,093,779
Retained earnings	$ 419,348	$ 116	$ 419,464
Non-controlling equity	1,304,763	294	1,305,057
Effects of equity	$ 1,724,111	$ 410	$ 1,724,521
Effects of total comprehensive income in 2021			
2021			
Operating revenue	$ 4,038,905	$ 873	$ 4,039,778
Operating costs	(3,867,260)	(3,741)	(3,871,001)
Operating expenses	(900,269)	(16,021)	(916,290)
Non-operating revenue and expenses	(160,376)	-	(160,376)
Income tax expenses	(65,832)	-	(65,832)
Effects of current net loss	(954,832)	(18,889)	(973,721)
Other comprehensive income	39,956	-	39,956
Effect of total comprehensive income for the year	($ 914,876)	($ 18,889)	($ 933,765)

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	Book value	Adjustments for initial application	Book value after adjustment
Net loss effect is attributable to:			
The owner of the Company	($ 282,867)	($ 4,489)	($ 287,356)
Non-controlling equity	(671,965)	(14,400)	(686,365)
	($ 954,832)	($ 18,889)	($ 973,721)
Total comprehensive income effect is attributable to:			
The owner of the Company	($ 264,920)	($ 4,642)	($ 269,562)
Non-controlling equity	(649,956)	(14,247)	(664,203)
	($ 914,876)	($ 18,889)	($ 933,765)
Effects of cash flow items from January 1 to December 31, 2021			
Net cash inflow (outflow) from operating activities	$ 439,565	($ 13,729)	$ 425,836
Net cash inflow (outflow) from investing activities	(680,799)	13,729	(667,070)
Net cash inflow from financing activities	574,089	-	574,089
Effect of exchange rate changes on cash and cash equivalents	(2,928)	-	(2,928)
Net increase in cash and cash equivalents	$ 329,927	$ -	$ 329,927

Apart from those described below, the Group expected no material changes to the accounting policies of the Group after adopting the amended IFRSs approved and released by the FSC:

(II) FSC-approved IFRSs to be applied in 2023

New/Amended/Revised Standards and Interpretation	Effective Date per IASB
Amendments to IAS 1, "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8, "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12, "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: This amendment applies to annual reporting periods after January 1, 2023.

Note 2: This amendment applies to changes in accounting estimates and accounting policies that occur in annual reporting periods after January 1, 2023.

Note 3: The amendments apply to transactions that occur after January 1, 2022, except for the recognition of deferred tax for all temporary differences related to leases and decommissioning obligations as of January 1, 2022.

1. Amendments to IAS 1, “Disclosure of Accounting Policies”

   The amendments require the Group to determine the significant accounting policy information to be disclosed according to the definition of materiality. If the accounting policy information is reasonably expected to have an impact on the decision made by the main user of general-purpose financial statements who uses these financial statements to make such decision, the accounting policy information is deemed material. The amendments also clarify the following:

   ●The accounting policy information related to insignificant transactions or other matters or circumstances is not material and the Group is not required to disclose this accounting policy.

   ●The Group may make judgment according to the nature of a transaction or other matters or circumstances and determine that related accounting policy information is material, even if the amount is insignificant.

   ●The accounting policy information not related to significant transactions or other matters or circumstances is material.

   In addition, the amendments give an example to explain that the accounting policy information related to significant transactions or other matters or circumstances may be material in the following cases:

   (1) The Group changes the accounting policy during the reporting period and the change leads to material changes of the information in the financial statements;
   (2) The Group selects applicable accounting policies from the options allowed in the Standards;
   (3) In case there is no specific standards to follow, the Group adopts the accounting policies established according to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”;
   (4) the Group discloses the accounting policies that are determined using significant judgments or assumptions; or
   (5) Complicated accounting treatment rules are involved and the user of the financial statements relies on the information to understand significant transactions or other matters or circumstances.

2. Amendments to IAS 8, “Definition of Accounting Estimates”

   The amendments define accounting estimates as the currency amount affected by measurement uncertainty in the financial statements. When applying accounting policies, the Group may need to measure the items in the financial statements using the currency amount that cannot be observed directly and must be estimated. When measuring the effect of the changes in technique or input value on accounting estimates, they shall be the changes in accounting estimates if they are not the correction of the previous errors.

Except for the above-mentioned effects, up to the approval and release date of the consolidated financial reports, the Group assessed that the effects of the amendments to other standards and interpretations will not have a material impact on the financial position and financial performance.

(III) IFRSs issued by the IASB but not yet approved and released by the FSC

New/Amended/Revised Standards and Interpretation	Effective Date per IASB (Note 1)
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and their Associate or Joint Venture"	Undetermined
IFRS 16 amendment "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17, "Initial application of IFRS 17 and IFRS 9 – Comparative Information"	January 1, 2023
Amendments to IAS 1, "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1, "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless otherwise specified, the above-mentioned new/amended/revised standards or interpretation shall become effective in the annual reporting periods beginning on or after each effective date for such standards or interpretation.

Note 2: A seller-lessee should apply the amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

1. Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and their Associate or Joint Venture"

According to the amendments, if the Group sells or invests assets that meet the definition of a "business" in IFRS 3 "Business Combinations" to any of the associates (or joint ventures), or the Group loses control over any of the subsidiaries that meets the aforesaid definition and maintains significant influence (or joint control) over the subsidiary, the Group recognizes all the profits or losses generated from such transactions.

However, if the Group sells or invests assets that do not meet the definition of a "business" in IFRS 3 "Business Combinations" to any of the associates (or joint ventures), or the Group loses control over any of the subsidiaries that do not meet the aforesaid definition in a transaction with any of the associates (or joint ventures) and maintains significant influence (or joint control) over the subsidiary, the profit or loss resulting from such transactions shall be recognized only to the extent of unrelated investors' interests in such associate (or joint venture), i.e. the Group's share of the profit or loss shall be eliminated.

2. Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (amendment in 2020) and "Non-current Liabilities with Covenants" (amendment in 2022)

The amendment in 2020 specifies that when determining whether liabilities are classified as non-current liabilities, it shall be assessed whether the Group, at the end of a reporting period, has a right to extend the due date of the liabilities by at least 12 months after the reporting period. If the Group has such a right at the end of the reporting period, the liabilities are classified as non-current liabilities no matter whether the Group is expected to exercise the right.

The amendment in 2020 clarifies that if the Group shall complete certain requirements to have the right to defer the settlement of liabilities, the Group must have followed the requirements before the end of a reporting period; the same shall apply even if the lender checks the Group's compliance with such requirements on a later date. The amendment in 2022 further clarifies that only covenants that are required to be followed prior to the reporting period end date affect the classification of the liability. Although the covenants to be followed within 12 months after the reporting period do not affect the classification of liabilities, relevant information must be disclosed to enable users of the financial statements to understand that the corporate may not be able to comply with the covenants and be required to make repayments within 12 months after the reporting period.

The amendment in 2020 regulates that, for the purpose of liability classification, the aforementioned settlement of liabilities refers to a transfer of cash, other economic resources or the Group's equity instruments to the counterpart to eliminate the liabilities. However, if the terms and conditions of liabilities may, at the option of the counterparty, result in settlement of the liabilities by the transfer of the Group's equity instruments, and the option is recognized as equity separately in accordance with IAS 32 "Financial Instruments: Presentation," the aforementioned terms and conditions do not affect the classification of the liabilities.

Except for the above-mentioned effects, up to the approval and release date of the consolidated financial report, the Group assessed the effects of the amendments to other standards and interpretation on the financial position and performance on a continuous basis. The relevant effects would be disclosed after the assessment.

XLII. Summary of significant accounting policies

(I) Statement of compliance

The consolidated financial report was prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs approved and released by the FSC.

(II) Basis for preparation

Except for the financial instruments measured at fair value and the net defined benefit liabilities recognized at the present value of defined benefit obligations less the fair value of the planned assets, the consolidated financial reports were prepared on the basis of historical cost.

Fair value measurements are classified into Levels 1, 2, and 3 based on the degree to which an input is observable and the significance of the input:

1. Level 1 inputs: refer to quoted prices in an active market for identical assets or liabilities that are accessible on the measurement date (before adjustment).
2. Level 2 inputs: refer to the inputs, other than the quoted prices included in Level 1, that are observable for assets or liabilities directly (namely, the price) or indirectly (namely, presumed from the price).
3. Level 3 inputs: refer to the inputs that are not observable for assets or liabilities.

(III) Classification of current and non-current assets and liabilities

Current assets include:

1. assets held mainly for the purpose of trading;
2. assets expected to be realized within 12 months after the balance sheet date; and
3. cash or cash equivalents (excluding those that are restricted for being used for exchange or settlement of liabilities within 12 months after the balance sheet

date).

Current liabilities include:

4. liabilities held mainly for the purpose of trading;
5. liabilities to be settled within 12 months after the balance sheet date, (irrelevant whether any long-term re-financing or payment re-arrangement agreement has been completed after the balance sheet date and before the date of release of financial reports; such liabilities are still current liabilities); and
6. liabilities whose due date cannot be unconditionally extended by more than 12 months after the balance sheet date. However, the terms and conditions of the liabilities that may, at the option of the counterparty, result in settlement of the liabilities by issuance of equity instruments do not affect the classification of liabilities.

Assets or liabilities that are not the above-mentioned current assets or current liabilities are classified as non-current assets or non-current liabilities.

The Group engages in construction projects with an operating cycle longer than one year. Therefore, the assets and liabilities related to the constructions are classified as current or non-current based on the normal operating cycle.

(IV) Basis for consolidation

The consolidated financial report are financial reports including the Company and the entities controlled (subsidiaries, including structured entities). The operating profits and losses of acquired or disposed subsidiaries from the acquisition date to the disposal date in the current period are included in the consolidated statement of comprehensive income. The financial reports of the subsidiaries are adjusted to have their accounting policies consistent with those of the Group. All the transactions, account balances, profits, and expenses/losses between entities are eliminated during preparation of the consolidated financial report. The total comprehensive income of the subsidiaries is attributable to the owner of the Company and the non-controlling equity even though this results in the non-controlling equity having a deficit balance.

Changes to the Group’s equity ownership in the subsidiaries are treated as equity transactions if the changes do not result in loss of control. The book values of the Group and the non-controlling equity are adjusted to reflect the changes in their relative equity in the subsidiaries. The difference between the adjusted amount of the non-controlling equity and the fair value of any paid or received consideration is directly recognized as equity and attributable to the owner of the Company.

For the subsidiaries’ details, shareholding ratios, and business operations, please refer to Note 13 and Table 9 and 10.

(V) Foreign currency

During preparation of each entity’s financial reports, transactions using currencies other than the entity’s functional currency (foreign currencies) are stated in the functional currency at the exchange rate on the date of transaction.

Monetary foreign currency items are translated at the closing exchange rate on each balance sheet date. Exchange differences arising from settlement or translation of the monetary items are recognized as profit or loss in the current period.

Non-monetary foreign currency items measured at fair value are translated at the exchange rate on the date of determining the fair value, and the exchange differences resulting therefrom are recognized as profit or loss in the current period. However, when changes in the fair value are recognized as other comprehensive income, the exchange differences arising therefrom are stated as the same.

Non-monetary foreign currency items measured at historical cost are translated at the exchange rate on the date of transaction and are not retranslated.

During preparation of the consolidated financial reports, the assets and liabilities of foreign operations (including the subsidiaries, associates, joint ventures or branches with countries in which they operate or currencies they use different from those of the Company) are translated into NTD at the exchange rate on each balance sheet date. Their profit and expense/loss items were translated at the average exchange rate of the period, and the exchange differences resulting therefrom were recognized in other comprehensive income (and attributable respectively to the owner of the Company and the non-controlling equity).

If the Group disposes all the interests of foreign operations or disposes their partial interest in a subsidiary and lose the control thereover, or the retained equity interest after disposal of the joint agreements or associates of the foreign operations is stated as financial assets and treated with the same accounting policy as the one for financial instruments, all the accumulated exchange differences attributable to the owner of the Group and related to the foreign operations are reclassified as profit or loss.

When partial disposal of the subsidiary of the foreign operations does not lead to loss of control, any accumulated exchange differences are re-attributed in proportion to the subsidiary's non-controlling equity but not recognized as profit or loss. For any other partial disposal of foreign operations, any accumulated exchange differences are reclassified as profit or loss based on the proportion of the disposal.

(VI) Inventory

Inventory includes raw materials, materials, finished goods work in process, and real estate held for sale. The inventory is measured based on the lower of the cost or net realizable value. The cost and the net realizable value are compared on the basis of the individual items except for the inventories of the same type. Net realizable value refers to the estimated selling price in a normal situation less the estimated cost needed to complete the work and the estimated cost needed to complete the sale. The weighted average method is used to calculate the inventory cost.

(VII) Investment in associates

An associate refers to a company over which the Group has a significant influence, but it is not a subsidiary or joint venture.

The Group adopts the equity method for investment in associates.

Under the equity method, the investment in associates is initially recognized at its costs, and the amount of increase or decrease in the book value of such investment after the date of acquisition depends on the Group's shares of profit/loss and other comprehensive income in the associates and joint ventures and the distributed profits. In addition, changes to the Group's equity in the associates are recognized based on our shareholding ratio.

When the acquisition cost exceeds the Group's shares of the net fair value of the associates' identifiable assets and liabilities on the date of acquisition, such excess is recognized in goodwill which is included in the book value of such investment and may not be amortized; when the Group's shares of the net fair value of the associates' identifiable assets and liabilities on the date of acquisition exceed the acquisition cost, such excess is recognized in profit/loss of the period.

When the Group does not subscribe for new shares issued by the associates based on our shareholding ratio, resulting in changes to the shareholding ratio and consequently to the net equity value of investment, these changes are used for adjustment of the capital reserve – changes in the net equity of associates and joint ventures recognized under the equity method and the investments under the equity method. However, if subscription or acquisition of the shares is not based on the shareholding ratio, leading to a decrease in the Group's ownership equity in the associates, the amounts related to the associate in other comprehensive income are reclassified according to the percentage of such decrease and treated with the same accounting treatment basis as the one which the associates' direct disposal of relevant assets or liabilities shall be in accordance with. If the said adjustment shall be debited to capital reserves, and the balance of capital reserves arising from investment under the equity method is insufficient to be offset, the difference is debited to retained earnings.

When the Group's shares of losses in the associates are equal to or exceeded our equity in the associates (including the book value of investment in the associate under the equity method and other long-term equities that in nature are part of the net investment portfolio made by the Group in the associate concerned), we do not recognize further losses. The Group recognizes additional losses and liabilities only when any legal obligation or constructive obligation is incurred or the Group made payment on behalf of the associates.

For impairment evaluation, the Group examines the entire investment book value (including goodwill) for impairment as a single asset by comparing the recoverable amount and book value of the investment. Any recognized impairment loss is not allocated to any assets forming any part of the book value of the investment, including goodwill. Any reversal of the impairment loss is recognized to the extent of a subsequently increase in the recoverable amount of the investment.

The profit or loss generated from the upstream, downstream and side stream transactions between the Group and the associates is recognized in the consolidated financial reports only when such profit or loss is irrelevant to the Group's equity in the associates.

(VIII) Property, plant and equipment

The property, plant and equipment are recognized in accordance with the cost and subsequently measured based on the cost net of accumulated depreciation and impairment losses.

The property, plant and equipment under construction are recognized based on the cost net of accumulated impairment losses. The cost included professional service fees and the loan costs eligible for capitalization. Once the assets are completed and ready for their intended use, the assets are classified as appropriate items under property, plant and equipment, and the depreciation of the assets starts.

Except for the self-owned land, each significant part of the property, plant and equipment is separately depreciated on the straight-line basis over its useful life. The Group reviews the estimated useful life, residual value and method of depreciation at least on the end day of each year. and prospectively recognize the effect from changes in accounting estimates.

For derecognition of the property, plant and equipment, the difference between the net disposal proceeds and the asset book value is recognized as profit or loss.

(IX) Investment property

An investment property refers to a property held for earning rent income or for capital appreciation, or both. Investment property includes the land held without a definite purpose of use.

The investment property for internal use was initially measured based on the cost (including transaction cost) and subsequently measured based on the cost net of accumulated depreciation and accumulated impairment losses.

All the investment properties were depreciated on the straight-line basis.

For derecognition of the investment property, the difference between the net disposal proceeds and the asset book value was recognized in profit or loss

(X) Intangible assets

1. Acquired separately

   Intangible assets with limited useful life acquired separately are initially measured in accordance with the cost and subsequently based on the cost net of accumulated amortization and impairment losses. Intangible assets are amortized on the straight-line basis over its useful life. the Group reviews the estimated useful life, residual value and method of amortization at least on the end day of each year and prospectively recognizes the effect from changes in accounting estimates. Intangible assets with indefinite useful life are recognized based on the cost net of accumulated impairment losses.

2. Derecognition

   For derecognition of the intangible assets, the difference between the net disposal proceeds and the asset book value is recognized as profit or loss of the period.

(XI) Impairments of property, plant and equipment, right-of-use assets, intangible assets (excluding goodwill), and contract cost related assets

The Group assesses whether there are any signs indicating that any property, plant and equipment, right-of-use assets, and intangible assets (excluding goodwill) may be impaired on each balance sheet date. If there are any such signs, the recoverable amount of the assets is estimated. When the recoverable amount of individual assets cannot be estimated, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Corporate assets are amortized on a reasonable and consistent basis to the smallest group of cash-generating units

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment at least annually or when there is any sign of impairment.

The recoverable amount is the higher of the fair value less costs of sale and the value in use. When the recoverable amount of any individual assets or cash-generating units is less than the book value, the book value of the individual assets or cash-generating units is adjusted down to the recoverable amount, and the impairment loss is recognized as profit or loss.

The impairment for the inventory, property, plant and equipment as well as intangible assets recognized due to customer contrasts is first recognized in accordance with the inventory impairment regulations and the aforesaid requirements. The excess of the book value of contract cost-related assets over the consideration that can be received for providing relevant goods or services net of relevant direct costs is recognized as impairment losses thereafter. The book value of the contract cost-related assets is then included in the cash-generating unit to which the assets belong in order to perform impairment assessment for the cash-generating unit.

When the impairment loss is reversed subsequently, the book value of the asset, cash-generating unit or contract cost-related assets is adjusted up to the revised recoverable amount. However, the increased book value does not exceed the book value (less the amortization or depreciation) determined under the circumstance that the impairment loss of the assets, cash-generating unit or contract cost-related assets is not recognized in the previous year. The reversal of the impairment loss is recognized as profit or loss.

(XII) Non-current assets held for sale

If the book value of non-current assets is to be recovered mainly through sale transactions rather than through continuing use, they are classified as held for sale. Non-current assets qualified for the classification must be available for immediate sale in the current condition and must be very likely to be sold. When management at an appropriate level guarantees selling the assets, and the sale transaction is to be completed within one year from the date of classification, they are very likely to be sold.

Non-current assets classified as held-for-sale are measured at the lower of the book value and the fair value net of sale costs, in which case the depreciation of such assets stops.

(XIII) Financial instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheet when the Group becomes a party of the financial instrument contract.

For initial recognition of the financial assets and financial liabilities, when the financial assets or financial liabilities are not measured at fair value through profit or loss, the assets or liabilities are measured at the fair value plus any transaction cost directly attributable to acquisition or issuance of the financial assets or financial liabilities. Any transaction cost measured at fair value through profit or loss directly attributable to the acquisition or issuance of the financial assets or financial liabilities is immediately recognized as profit or loss.

1. Financial assets

The regular transactions of financial assets are recognized and derecognized based on the accounting on the transaction date.

(1) Type of measurements

The financial assets held by the Group are those measured at fair value through profit or loss and at amortized cost as well as investment in equity instruments measured at fair value through other comprehensive income.

A. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are mandatorily to be measured at fair value through profit and loss. The financial assets mandatorily measured at fair value through profit and loss include the investment in equity instruments that are not designated to be measured at fair value through other comprehensive income, and the investment in liability instruments that are not qualified to be classified as those measured at amortized cost or measured at fair value through other comprehensive income.

The financial assets measured at fair value through profit or loss are measured at fair value. The produced dividend and interest are recognized in other income and interest income, respectively. The profit or loss generated from remeasurement is recognized in other profit or loss. For determination of the fair value, please refer to Note 38.

B. Financial assets measured at amortized cost

When the Group's invested financial assets meet both of the following two conditions, they are classified as financial assets measured at amortized cost:

a. The financial assets held under a business model with the purpose of holding these assets to collect contractual cash flows; and

b. The contractual terms generate cash flows on a specific date that are solely payments of principal and interest.

After the initial recognition, the financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable measured at amortized cost) are measured based on the amortized cost equal to the total book value determined under the effective interest method less any impairment losses, and any profit or loss from foreign currency translation is recognized as profit or loss.

Except for the following two circumstances, the interest income is calculated as the effective interest rate times the total book value of financial assets:

a. For purchased or originated credit-impaired financial assets, the interest income is calculated as the credit-adjusted effective interest rate times the amortized cost of the financial assets.
b. For financial assets originally not purchased or originated credit-impaired but subsequently becoming credit-impaired, the interest income is calculated as the effective interest rate times the amortized cost of the financial assets in the next reporting period after the credit impairment.

Credit-impaired financial assets represent significant financial difficulties confronting the issuer or debtor, default, the circumstance that the debtor is likely to file for bankruptcy or other financial reorganization, or that the active market of financial assets disappears due to financial difficulties.

Cash equivalents include highly liquid time deposits that can be converted into defined amounts of cash at any time within 3 months after the date of acquisition and are subject to an insignificant risk of changes in value, and are used to meet short-term cash commitments.

C. Investment in equity instruments measured at fair value through other comprehensive income

At initial recognition, the Group may make an irrevocable election to designate the investment in equity instruments held not for trading and not recognized by the acquirer in a business merger or with consideration to be measured at fair value through other comprehensive income.

Investment in equity instruments measured at fair value through other comprehensive income is measured at fair value. Subsequent changes in the fair value are recognized in other comprehensive income and accumulated in other equity. For disposal of the investment, any cumulative profits or losses are directly transferred to retained earnings and not reclassified as profit or loss.

After the Group’s right to receive dividends is determined, the dividends of investment in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss except that such dividends apparently represent a partial return of the investment cost.

(2) Impairment of financial and contractual assets

The Group assesses impairment losses on the financial assets (including accounts receivable) measured according to amortized cost based on the expected credit losses on each balance sheet date.

Loss allowances for accounts receivable and contract assets are recognized based on the lifetime-expected credit losses. The Group first assesses whether the credit risk on other financial assets significantly increases after the initial recognition. When the increase is not significant, the loss allowance for the financial assets is recognized based on the 12-month expected credit losses; when the increase is significant, it is recognized based on the lifetime-expected credit losses.

The expected credit losses are the average credit losses weighted by the risk of default. 12-month expected credit losses represent the expected credit losses on financial instruments from any potential default within 12 months after the reporting date. Lifetime-expected credit losses represent the expected credit losses on financial instruments from any potential default during the expected lifetime.

For the purpose of internal credit risk management, financial assets are deemed to be defaulted when the following circumstance occurred, without consideration of the collateral held:

A. Any internal or external information indicates that a debtor is impossible to pay off the debts.
B. Any payment is overdue more than 365 days, unless any reasonable and supportable information makes it appropriate to postpone the default criteria.

The impairment loss on all financial assets is deducted from the book value of the financial assets through allowance accounts. However, the loss allowance of the investment in liability instruments measured at fair value through other comprehensive income is recognized as other comprehensive income, and the book value thereof is not reduced.

(3) Derecognition of financial assets

The Group derecognizes financial assets only when the contractual rights to the cash flows from the assets become invalid, or the financial assets and almost all the risks and returns over the ownership of the financial assets are transferred to other companies.

For removal of the entire financial assets measured at amortized cost, the differences between the book value and the received consideration were recognized in profit or loss. Upon derecognition of the entire investment in liability instruments measured at fair value through other comprehensive income, the difference between its book value, and the total amount of the consideration received plus any cumulative gain or loss recognized as other comprehensive profit or loss is recognized as profit or loss. Upon derecognition of the entire investments in equity instruments measured at fair value through other comprehensive income, the cumulative gain or loss is directly transferred to retained earnings and not reclassified as profit or loss.

2. Equity instruments

The debt and equity instruments issued by the Group are classified as financial liabilities or equity based on the definition of real and financial liabilities as well as equity instruments under the terms and conditions of the contracts.

The equity instruments issued by the Group are recognized based on the payment net of the direct cost of issuance.

When a reacquired equity instrument is originally owned by the Company, the re-acquisition is recognized as a deduction from equity. Purchase, sale, issuance or cancellation of the equity instruments owned by the Company are not recognized as profit or loss.

3. Financial liabilities

(1) Subsequent measurement

All financial liabilities are measured at amortized cost under the effective interest method.

(2) Derecognition of financial liabilities

For derecognition of financial liabilities, the differences between the book value and the consideration paid (including any non-cash assets transferred and any liabilities assumed) are recognized as profit or loss.

(XIV) Liability reserve

The amount recognized as a liability reserve is the best estimate of the expenses needed to settle the obligation on the balance sheet date in consideration of the risks and uncertainty of the obligation. The liability reserves are measured based on the estimated discounted cash flow for settlement of the obligation.

1. Onerous contract

When the unavoidable cost for fulfillment of contractual obligations is expected to exceed the expected economic benefit from the contract, the present obligation deriving from the onerous contract is recognized as liability reserve.

2. Warranty

The warranty obligation to guarantee that products conform to the agreed specification is recognized based on the best estimate made by management for the expenses needed to settle the Group's obligation when the revenue of the relevant commodities is recognized.

(XV) Recognition of revenue

After the Group's recognition of performance obligations under a contract with customers, the Group allocates the transaction price to each performance obligation and recognizes the allocated amount as revenue after each performance obligation is fulfilled.

For the contract in which transfer of commodities or services and collection of considerations are conducted at an interval within 1 year, the transaction price is not adjusted for significant financing components.

1. Revenue from sale of commodities

Revenue from sale of commodities is generated from the sales of solar and electronic equipment products. Once the solar and electronic equipment products are delivered to the customer-designated location and accepted by the customer, the customer is entitled to the products' price determination and right of use, has the main responsibility to resell the products, and takes the risk that the products might become outdated. Therefore, the revenue and accounts receivable are recognized at that point of time. The receipts in advance from the sale are recognized as contract liabilities before the delivery of the products.

When export of raw materials for processing, the control over the ownership of processed products is not transferred, and thus the revenue for the export of raw materials is not recognized.

2. Service income

Service income derives from repair of equipment.

With provision of the equipment repair service from the Group, the customer acquires and consumes the benefit from performance of the contract. Related income is recognized when services are completely provided. The involvement of technicians is needed for repair of equipment. the Group measures the progress of the work based on the percentage of the incurred man-hours in the estimated total man-hours. Since payment is made after completion of the repair as agreed in the contract, the Group recognizes the service income as contract assets when the service is provided and transfer it to account receivable when the repair is completed.

3. Project income

Since the cost of construction is directly related to the percentage of fulfillment of the contractual obligation, the Group measures the progress based on the percentage of the actually invested cost in the estimated total cost. the Group progressively recognizes contract assets during the construction and transfer them to accounts receivable when issuance of bills. If the construction project proceeds received exceed the revenue recognized, the difference is recognized as contract liabilities. Construction retainage retained by customers according to contractual terms and conditions is to ensure that the Group fulfills all the contractual obligation thereof and is recognized as contract assets before the fulfillment of the contract.

If the result of the fulfillment cannot be measured reliably, the contract income is recognized only within the scope of the actually incurred contract fulfillment cost expected to be recovered.

(XVI) Lease

The Group assesses whether an agreement is (or contained) a lease on the date of entering into the agreement.

1. The Group is the lessor

A lease is classified as finance leases when almost all the risks and returns attached to the ownership of assets are transferred to the lessee according to the terms and conditions, and all the other leases are classified as operating leases.

The lease payment under operating leases less lease incentives is recognized as profit on the straight-line basis over the lease term. The original direct cost generated from the acquisition of the operating leases plus the book value of underlying assets is recognized as expenses on the straight-line basis over the lease term. The lease agreement with the lessee is dealt with as a new lease from the effective date of lease modification.

When land and building are included as elements of a lease, the Group assesses if individual elements are classified as financial or operating lease based on whether almost all the risks and compensations attached to the ownership of these elements are transferred to the lessee. The lease payment is allocated to the land and building based on a relative proportion of the leasehold interest fair value of these land and building on the execution date of the contract. If the lease payment can be allocated to these two elements reliably, each of them is dealt with depending on the category it belongs. If the lease payment cannot be allocated to these two elements reliably, the overall lease is classified as financial lease; if these two elements obviously meet the criteria of operating lease, the overall lease is classified as operating lease.

2. the Group is the lessee

The lease payment from the leases of low-value underlying assets to which the exemption of recognition is applied and short-term lease is recognized as expenses on the straight-line basis over the lease term, while right-of-use assets and lease liabilities with respect to other leases are recognized on the lease commencement date.

The right-of-use assets are initially measured based on the cost (including the initial recognized amount of lease liabilities, the lease payment paid before the lease commencement date less the lease incentives received, the initial direct cost and the cost estimated to restore the underlying asset) and subsequently measured based on the cost net of accumulated depreciation and accumulated impairment losses, and then the remeasurement of the lease liabilities is adjusted. The right-of-use assets are separately presented in the consolidated balance sheet.

The right-of-use assets are depreciated on the straight-line basis over the period from the lease commencement date to the expiration of the useful life or the lease period, whichever is sooner.

The lease liabilities were initially measured based on the present value of lease payments (including fixed payments). If the interest rate implicit in a lease could be readily determined, the lease payments were discounted at the interest rate. When such interest rate cannot be readily determined, the lessee's incremental borrowing rate of interest is used.

Subsequently, the lease liabilities are measured at amortized cost under the effective interest method, and the interest expenses are amortized over the lease term. When any changes in the lease term, the amount to be paid under residual value guarantee, the assessment relating the purchase options of underlying assets, or the changes in the index or rate determining the lease payments cause the changes in the future lease payments, we remeasure the lease liabilities and adjust the right-of-use assets accordingly. However, the residual remeasurement is recognized in profit or loss when the book value of right-of-use assets is reduced to zero. For the lease modification not dealt with as a single lease, the remeasurement of the lease liabilities due to reduction of the lease scope is conducted to reduce the right-of-use assets and recognized in profit or loss in terms of termination of any part of all of the lease; the remeasurement of the lease liabilities due to other modifications is conducted for adjustment of the right-of-use assets. The lease liabilities are separately presented in the consolidated balance sheet.

(XVII) Cost of borrowing

The cost of borrowing that can be directly attributable to the assets for which acquisition, building or production meet the requirements is part of the cost of such assets until almost all the required activities for them to reach the intended status of use or sale are completed.

The income earned from temporary investment by using certain loans before the occurrence of capital expenses meeting the requirements is deducted from the cost of borrowing that meets the requirements of capitalization.

Otherwise, all the costs of borrowing are recognized as profit or loss in the year in which the borrowing occurred.

(XVIII) Government grants

The government grants shall only be recognized when it is reasonable to ensure that the Group will comply with the conditions incident to the government subsidies and the subsidies may be received affirmatively.

The government grant related revenues are recognized as profit or loss on a systematic basis within the period when the costs to be subsidized by the government are recognized as expenses by the Group. Government grants for which the acquisition of non-current assets in a purchase or building manner or in other manners by the Group is necessary are recognized as deferred income and transferred to profit or loss on a reasonable and systematic basis over the useful life of the relevant assets.

If the government subsidies are used to make up the expenses or losses that have occurred, or immediately support the finance of the Group and there is no future cost, such subsidies are recognized in profit or loss during the period when they can be received.

(XIX) Employee benefits

1. Short-term employee benefits

   Liabilities related to employee benefits are measured at non-discounted amount expected to be paid against the services to be provided by the employees.

2. Retirement benefits

   Every pension fund contributed under the defined pension appropriation plan is recognized as expenses during the period when employees provide services.

   Defined retirement benefit costs (including servicing costs, net interest, and remeasurement) under the defined retirement benefit plan are calculated actuarially using the projected unit credit method. Service costs (including current and previous service costs) and net interest on net defined benefit liabilities (assets) were recognized in employee benefit expenses when they were incurred. Remeasurement (including actuarial profits or losses and return on plan assets net of interest) is recognized in other comprehensive income and presented in retained earnings when it occurs. It is not reclassified as profit or loss in the subsequent periods.

   Net defined benefit liabilities (assets) represent the contribution deficit (surplus) in the defined retirement benefit plan. Net defined benefit assets shall not exceed the present value of contribution refunded from the defined retirement benefit plan or future deductible contribution.

(XX) Share-based payment arrangement

<u>Employee stock options for employees</u>

The employee stock options are recognized as expenses based on the fair value of equity instruments on the grant date and the best estimate of the vested amount on the straight-line basis over the vesting period, while the capital reserve – employee stock options is adjusted. If the amount is immediately vested on the grant date, it is recognized as expenses on that date. The Group may transfer treasury stocks to employees. The grant date is the date of notification to employees.

(XXI) Income tax

The income tax expenses are the total of current and deferred income taxes.

1. Current income tax

   The Group determines the current revenue (loss) in accordance with the laws and regulations of the jurisdiction where the income tax returns are filed and, with this as a basis, calculates the income tax payable (receivable).

The additional income tax on undistributed earnings calculated according to the Income Tax Act of the Republic of China is recognized in the year when the related resolution is made at the shareholders' meeting.

The adjustments to the income tax payable in the previous year are recognized in the current income tax.

2. Deferred income tax

The deferred income taxes are calculated based on the temporary difference between the book value of assets and liabilities in the book and the tax base for calculation of taxable income.

Deferred income tax liabilities are generally recognized based on all taxable temporary differences; deferred income tax assets are recognized when we are likely to have taxable income available to offset the income tax arising from deductible temporary differences, loss carryforwards, purchase of machinery/equipment, R&D and talent training.

Taxable temporary differences generated from investment in subsidiaries, associates and joint arrangements are recognized in deferred income tax liabilities except where the Group can control the timing of reversal of the taxable temporary differences, and where such differences are not likely to be reversed in the foreseeable future. Deductible temporary differences related to such investment are recognized, to the extent that they are expected to be reversed in the foreseeable future, as deferred income tax assets only when we are likely to have taxable income adequate to realize the temporary differences.

The book value of deferred income tax assets is reviewed at each balance sheet date. When any of the deferred income tax assets is not likely to have taxable income adequate to return all or part of the assets anymore, the book value thereof is reduced. Those that are not originally recognized as deferred income tax assets are reviewed at each balance sheet date. When any of those is likely to generate taxable income adequate to return all or part of the assets in the future, the book value thereof is increased.

The deferred income tax assets and liabilities are measured at the tax rate of the period in which the liabilities or assets are expected to be settled or realized. The tax rate is subject to the tax rate and tax laws legislated or substantively legislated on the balance sheet date. The deferred income tax liabilities and assets are measured to reflect the tax on the balance sheet date arising from the method that the Group excepts to use to recover or settle the book value of the liabilities and assets.

3. Current and deferred income taxes

The current and deferred income taxes are recognized as profit or loss other than those related to the titles stated as other comprehensive income or as equity directly, which are recognized in other comprehensive income separately or in equity directly.

XLIII. Major sources of uncertainty of significant accounting judgments, estimates, and assumptions

For adoption of the accounting policies, our management must make judgments, estimates and assumptions related to the information that cannot be readily acquired from other sources based on historical experience and other relevant factors. The actual results may differ from those estimates.

The Group will incorporate possible impacts of the COVID-19 outbreak on the economic environment into consideration of material accounting estimates for cash flow projects, growth rates, discount rates and profitability. Management will continue to review estimates and underlying assumptions. When the amendments to the estimates only affect the current period, they are recognized in the period in which they are made; when the amendments to the estimates affect the current and future periods at the same time, they are recognized in the period in which they are made and the future period.

Main sources of uncertainties of estimates, and assumptions

(I) Construction contracts

The construction profit or loss of a construction contract is recognized in revenue and cost with reference to the completion level of the contractual activities. The completion level is measured based on the percentage of the contract cost incurred to the completed works up to now in the estimated total contract cost. The amount of the variable consideration such as incentives and damages will be incorporated in the contract income only when, after subsequent elimination of related uncertainties, the amount of the accumulated income after the incorporation and recognition of such variable consideration will not likely lead to significant reversal.

Since the estimated total cost and contract items are derived by management from assessment and judgment of the nature of individual products, expected outsourcing price, project period, construction project, and construction method, they may affect the calculation of the completion percentage and construction profit/loss. (Please refer to Note 27.)

(II) Property, plant and equipment impairment

Impairment of solar cell-related equipment is evaluated based on the recoverable amount (the higher of the fair value of such asset less the cost of sale and its use value) of such asset. Market prices, estimated economic lives, capacity utilization rate or in-process cost and replacement cost estimates and disposal of costs will affect the recoverable amount of such asset, which is likely to result in additional recognition of impairment losses or reversal of impairment losses already recognized by the Group.

XLIV. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and working capital	$ 4,265	$ 3,796
Bank check and demand deposit	932,355	1,101,385
Cash equivalents (investment with an initial maturity date within 3 months)		
Bank time deposit	1,166,675	215,071
	$ 2,103,295	$ 1,320,252

Interest rate range of bank deposits on the balance sheet date

	December 31, 2022	December 31, 2021
Bank deposit	0.001%～1.05%	0.001%～0.5%
Bank time deposit with an initial maturity date within 3 months	1.05%～4.85%	0.12%～3.0%

XLV. Financial instruments measured at fair value through profit or loss

	December 31, 2022	December 31, 2021
Financial assets – current		
Mandatory measurement at fair value through profit or loss		
Non-derivative financial assets		
– Overseas listed (OTC) stocks	$ 10,815	$ 31,061
– Fund beneficiary certificates	300,180	380,110
– Floating-rate financial commodity	273,737	241,309
	$ 584,732	$ 652,480
Financial assets – non-current		
Mandatory measurement at fair value through profit or loss		
Non-derivative financial assets		
– Domestic non-listed (non-OTC) stocks	$ 86,436	$ 74,100

Floating-rate financial product contract signed by the Group with the bank The bank is authorized by the floating-rate financial product to adjust the product yield from time to time according to the investment operation.

For the amount of the financial instrument measured at fair value through profit or loss that are pledged as collateral for the issuance of a manufacturer's promissory note, please refer to Note 40.

XLVI. Financial assets measured at fair value through other comprehensive income

Investment in equity instruments

	December 31, 2022	December 31, 2021
Non-current		
Domestic investment		
Non-listed (Non-OTC) stock		
Common stock of United Information System Service Co., Ltd.	$ 29,968	$ 34,905
Common stock of Ecatch Automation Co., Ltd.	900	900
Meng-Lue Venture Investment Limited Partnership	7,500	-
	$ 38,368	$ 35,805

According to the long-term strategy, the Group invested in United Information System Service, common stock of Ecatch Automation Co., Ltd., and Meng-Lue Venture Investment Limited Partnership. Profits are anticipated through the long-term investment. Since the Group's management deemed that the recognition of short-term changes in the investment's fair value in profit or loss was not consistent with the said long-term investment plan, they opted to have the investment measured at fair value through other comprehensive income.

XLVII. Financial assets measured at amortized cost

	December 31, 2022	December 31, 2021
Current		
Domestic investment		
Time deposit with an initial maturity date over 3 months(I)	$ 305,189	$ 314,006
Less: Loss allowance	-	-
	$ 305,189	$ 314,006
Non-current		
Domestic investment		
Time deposit with an initial maturity date over 3 months(I)	$ 76,609	$ 39,803
Less: Loss allowance	-	-
	$ 76,609	$ 39,803

(I) As of December 31, 2022 and 2021, the interest rate range for time deposits with original maturities of more than 3 months was 0.001% to 7% per annum, respectively.

(II) For more information on the pledge of the financial assets measured at amortized cost, please refer to Note 40.

XLVIII. Notes/accounts receivable and other receivables

	December 31, 2022	December 31, 2021
Notes receivable		
Measurement at amortized cost		
Total book value	$ 59,141	$ 47,453
Less: Loss allowance	-	-
	$ 59,141	$ 47,453
Notes receivable – related parties (Note 39)	$ 61,718	$ -
Accounts receivable		
Measurement at amortized cost		
Total book value	$ 345,424	$ 511,081
Less: Loss allowance	(1,471)	(3,172)
	$ 343,953	$ 507,909
Overdue receivables (listed in other non-current assets)	$ 22,312	$ 30,829
Less: Loss allowance	(22,312)	(30,829)
	$ -	$ -
Accounts receivable – related parties (Note 39)	$ 13,104	$ 2,702
Other receivables		
Business tax refund receivable	$ 9,217	$ 7,599
Interest receivable	6,622	3,046
Proceeds receivable from disposal of investments	11,701	792
Others	9,968	13,202
Less: Loss allowance	-	-
	$ 37,508	$ 24,639
Other receivables – related parties (Note 39)	$ 69,844	$ 38,381

(I) Notes and accounts receivable

The Group provides an O/A 30-to-90-day credit period on average for sale of commodities, and interest does not accrue on accounts receivable. When determining the recoverability of accounts receivable, the Group considers any changes in their credit quality from the original credit date to the balance sheet date. Since historical experience tells us that the accounts receivable overdue for more than 1 year are not recoverable, the Group recognizes the accounts receivable of more than 1 year in 100% loss allowance. As for the loss allowance of the accounts receivable within 1 year, the amount not recoverable is estimated with reference to the previous default record current financial status of the counterparty.

The Group recognizes the loss allowance for accounts receivable based on the lifetime expected credit losses. The lifetime expected credit losses are calculated using a provision matrix with consideration of customers' historical default records and current financial position, industrial and economic environments, GDP forecasts and industrial prospects. Since our historical experience of credit losses show no significant difference in the type of loss between different customers, the customers are not further classified in the provision matrix. We only set the expected credit loss rate based on the days overdue of accounts receivable.

When there is any evidence showing that the trading counterparty is facing serious financial difficulties and the Group cannot estimate a reasonable recoverable amount (for example, the trading counterparty is undergoing liquidation or any debt has been overdue for more than 365 days), the Group directly write off related accounts receivable, continue to claim for payment, and recognize the recovered amount therefrom in profit or loss.

The Group's loss allowance for notes and accounts receivable measured using the provision matrix are as follows:

December 31, 2022

	Not overdue	1–90 days overdue	91–180 days overdue	181–365 days overdue	More than 365 days overdue	Total
Percentage of expected credit losses	1%～66.86%	1%～66.86%	1%～80%	1%～80%	100%	
Total book value	$ 475,003	$ 4,384	$ -	$ -	$ -	$ 479,387
Loss allowance (lifetime expected credit losses)	(1,162)	(309)	-	-	-	(1,471)
Amortized cost	$ 473,841	$ 4,075	$ -	$ -	$ -	$ 477,916

December 31, 2021

	Not overdue	1–90 days overdue	91–180 days overdue	181–365 days overdue	More than 365 days overdue	Total
Percentage of expected credit losses	0%～56.45%	0%～56.45%	6.58%～38.43%	14.36%	100%	
Total book value	$ 486,621	$ 71,160	$ 3,285	$ 170	$ -	$ 561,236
Loss allowance (lifetime expected credit losses)	(1,969)	(947)	(232)	(24)	-	(3,172)
Amortized cost	$ 484,652	$ 70,213	$ 3,053	$ 146	$ -	$ 558,064

Changes in loss allowance for notes and accounts receivable and overdue receivables are as follows:

	2022	2021
Balance – beginning of the year	$ 34,001	$ 28,336
Add: Written-off bad debts recovered	25,682	-
Add: Impairment loss appropriated in the year	-	6,119
Less: Impairment loss reversed in the year	($ 27,323)	$ -
Less: Actual amount written off in the year	(8,227)	(149)
Differences from translation of foreign currencies	(350)	(305)
Balance – ending of the year	$ 23,783	$ 34,001

(II) Other receivables

Interest does not accrue on other receivables. When determining the recoverability of other receivables, the Group considers any changes in their credit quality from the original credit date to the balance sheet date. Since historical experience tells us that other receivables overdue for more than 1 year are not recoverable, the Group recognizes other receivables of more than 1 year in 100% loss allowance. As for the loss allowance of other receivables within 1 year, the amount not recoverable is estimated with reference to the previous default record current financial status of the counterparty.

Changes in loss allowance for other receivables are as follows:

	December 31, 2022	December 31, 2021
Balance – beginning of the year	$ -	$ 422
Less: Impairment loss reversed in the year	-	(422)
Balance – ending of the year	$ -	$ -

On December 31, 2022 and 2021, the Group did not have other receivables which were overdue and for which no loss allowance was recognized in the account.

XLIX. Inventory

	December 31, 2022	December 31, 2021
Finished goods	$ 188,323	$ 100,822
Work in process	33,677	79,200
Raw material	394,863	279,222
In-transit inventory	16,852	16,032
Real estate held for sale.	354,148	539,922
	$ 987,863	$ 1,015,198

The cost of sales related to the inventories in 2022 and 2021 was NTD 4,361,125 thousand and NTD 3,871,001 thousand, respectively.

The cost of sales related to the inventories in 2022 and 2021 included the following items:

	2022	2021
Inventory decline impairment recovery gains (losses)	$ 934	($ 7,421)
Prepayment for purchase impairment reversal gain	2,039	13,288
	$ 2,973	$ 5,867

The recovery gain of net realizable value of inventory in 2022 resulted from a rise in the sale prices of the inventory on certain markets.

L. Non-current assets held for sale

	December 31, 2022	December 31, 2021
Right-of-use assets	$ 23,280	$ 76,175
Property, plant and equipment		
House and building costs	524,975	1,073,093
Accumulated depreciation – Houses and buildings	(287,221)	(287,681)
Machinery and equipment	539,733	509,112
Accumulated depreciation – Machinery and equipment	(504,757)	(486,651)
Other fixed assets	82,728	94,188
Accumulated depreciation – Other fixed assets	(81,051)	(92,537)
Uncompleted construction	622	613
Guarantee deposits paid	-	8,449
Non-current assets held for sale	$ 298,309	$ 894,761
Other payables	$ -	$ 8,563
Deferred income	-	43,176
Liabilities directly related to non-current assets held for sale	$ -	$ 51,739

(I) Due to the requirements of the government's construction project, the Group's Kenmec Mecha-Tronics and Kenmec Technology (Suzhou) entered into a house demolition compensation agreement with the local government authority in March 2021. Hence, the assets levied by the government were reclassified to non-current assets held for sale.

The agreement was signed on March 29, 2021, by the Group's Kenmec Technology and Kenmec Mecha-Tronics, for a total consideration of RMB 123,840 thousand and RMB 214,375 thousand, respectively. As of December 31, 2022, Kenmec Technology and Kenmec Mecha-Tronics has received RMB 99,000 thousand and RMB 172,000 thousand, respectively, and paid demolition-related expenses of RMB 11,691 thousand and RMB 10,745 thousand. Please refer to Note 22.

(II) In the Board meeting held on October 22, 2021, the Group's Tainergy reported to the Board of Directors the disposal of the land use rights and plant of the subsidiary Tainergy Kunshan located in China. It has been reclassified to non-current assets held for sale and presented separately in the consolidated balance sheet. On October 27, 2022, the transfer of the building and construction and right-of-use assets was completed with Kunshan Changshunhong Energy Technology Co., Ltd. Please refer to Note 41.

(III) On December 23, 2022, the Group's Tainergy entered into an agreement of equipment purchase and sale to sell solar power equipment. This has been reclassified to non-current assets held for sale and expressed separately in the consolidated balance sheet.

(IV) On December 23, 2022, the Group's Tainergy entered into an agreement of equipment purchase and sale to sell solar power equipment and expects to dispose of a portion of idle machinery and equipment within the next six months and is presently proactively seeking transaction parties. This has been reclassified to non-current assets held for sale and expressed separately in the consolidated statement of assets and liabilities. However, the disposal price is expected to be less than the carrying amount, with an impairment loss of NTD 4,235 thousand recognized in 2022. The impairment loss is included in other gains and losses under non-operating income and expenses in the consolidated statement of comprehensive income.

LI. Subsidiary

(I) Subsidiaries included in the consolidated financial reports

Entities in the consolidated financial reports are as follows:

Name of investor	Name of the subsidiary	Nature of business	Shareholding ratio December 31, 2022	Shareholding ratio December 31, 2021	Description
The Company	Kenmec International Holding (BVI) Co., Ltd. (hereinafter referred to as B.V.I. – Kenmec International)	Investment holding business	100	100	
The Company	Ample Assets Holdings Ltd. (hereinafter referred to Ample)	Investment holding business	-	100	7
The Company	Kenmec Vietnam Company Limited (hereinafter referred to Kenmec Vietnam)	Manufacturing of electric water heaters, engineering machinery	100	100	
The Company	Tainergy Tech. Co. Ltd. (hereinafter referred to as Tainergy)	Research, design, manufacture and sales of solar cells, modules and related systems	27.17	27.19	1、9
The Company	KENTEC INC. (hereinafter referred to as Kentec)	Manufacture of electronics parts and components	89.16	89.16	
The Company	Taisic Materials Co. (hereinafter referred to as Taisic Materials)	Manufacturing and sales of electronic parts and components	8.80	8.60	3
The Company	Chief Global Logistics Co., Ltd. (Chief Global Logistics)	Warehousing	52	100	4、8
The Company	Hua-Xia Construction Co., Ltd. (Hua-Xia Construction)	Comprehensive Construction	100	100	8
B.V.I.－Kenmec International	Kenmec Technology (Fuqing) Co., Ltd. (hereinafter referred to as Kenmec Fuqing)	Development, production and sales of new electronic components (chip components), digital audio and video coding equipment	-	100	7
B.V.I.－Kenmec International	Kenmec Mecha-Tronics (Suzhou) Co., Ltd. (hereinafter referred to as Kenmec Mecha-Tronics)	T.F.T. process equipment, semiconductor process equipment, industrial conveying machinery, and automated storage equipment.	100	100	

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Name of investor	Name of the subsidiary	Nature of business	Shareholding ratio December 31, 2022	Shareholding ratio December 31, 2021	Description
B.V.I. — Kenmec International	Kenmec Automation Engineering (KunShan) (hereinafter referred to Automation Kunshan)	Automated flow line equipment and supporting equipment, display production equipment, semiconductor production equipment, etc.	100	100	
Kenmec Mecha-Tronics	Suzhou Kenmec Property Development Ltd. (hereinafter referred to as Kenmec Property Development)	Real estate business	68.25	68.25	
Ample	Fraternity Trade Development (KunShan) Co., Ltd. (hereinafter referred to as Fraternity Kunshan)	Tourism and leisure industry, such as management of hot spring hotels, health and leisure clubs, and slow living and light bite tourism	-	100	7
Tainergy	Tainergy Tech Holding (Samoa) Co., Ltd. (hereinafter referred to as SAMOA – Tainergy Tech)	Investment holding business	100	100	
Tainergy	VIETNERGY COMPANY LIMITED	Manufacture of high-tech solar cells and related cell components	100	100	
Tainergy	Star Solar New Energy Co., Ltd. (Star Solar New Energy)	Sales of solar power generation systems	-	-	2
Tainergy	Kentec	Manufacture of electronics parts and components	4.33	4.33	
Tainergy	Taisic Materials	Manufacturing and sales of electronic parts and components	47.66	55.41	3
SMOA – Tainergy Tech	Tainergy Technology (Kunshan) Co., Ltd. (hereinafter referred to as Tainergy Kunshan)	R&D, design, production of high-tech cells (solar cells and the components of the cells)	100	100	
Tainergy Kunshan	Kunshan Kunfu Electronic Materials Co., Ltd.	Sales and manufacture of electronic materials and parts	100	100	5
Tainergy Kunshan	Kenmec Property Development	Real estate business	31.75	31.75	
Tainergy Kunshan	Kunshan Jichang Energy Technology Co., Ltd.	Sale of solar power-related products	100	100	6
Kentec	Kenmec Communication Holding (BVI) Co., Ltd. (hereinafter referred to as B.V.I. – Kenmec Communication)	Investment holding business	100	100	
B.V.I. — Kenmec Communication	Kenmec Technology (Suzhou) Co., Ltd. (hereinafter referred to as Kenmec Technology)	Production of new electronic components (chip components), digital sounds, etc.	100	100	

Remarks:

1. The Group has a direct and indirect shareholding of 27.17% in Tainergy and, nevertheless, has substantial control over the Group. It is thus incorporated as an

entity of the Group.

2. On January 20, 2021, the Group's Tainergy did not increase capital of Star Solar New Energy according to its shareholding ratio, resulting in a decrease in shareholding ratio from 100% to 35.71%, losing control over the company. The fair value of the remaining 35.71% equity at the disposal date was NTD 4,674 thousand, which was changed to an investment accounted for using the equity method. Please refer to Note 34.
3. In July 2022, Tainergy of the Company and the Group did not increase its shareholdings in Taisic Materials in proportion to their shareholdings, resulting in an increase in their shareholding ratios to 8.80% and decrease to 47.656%, respectively.

   In May 2021, Tainergy of the Company and the Group did not increase its shareholdings in Taisic Materials in proportion to their shareholdings, resulting to a decrease in their shareholding ratios to 8.60% and 55.41%, respectively. Please refer to Note 35 for changes in non-controlling equity.
4. In August, the Company did not increase its shareholding in Aptos Technology Inc. Please refer to Note 35 for the changes in non-controlling interests.
5. In August 2022, Kunshan SENSIC Electronic Materials Co., Ltd. changed its name to Kunshan Kunfu Electronic Materials Co., Ltd. and was registered.
6. Kunshan Jichang Energy Technology Co., Ltd. is located in Kunshan City, Jiangsu Province of the People's Republic of China and was established with a 100% capital investment by Tainergy Technology (Kunshan) Co., Ltd., one of the consolidated companies, in June 2020. The main business activity of Kunshan Jichang Energy Technology Co., Ltd. is the sale of solar power-related products. A capital of RMB 209,466 thousand was expected to be contributed, but it has not yet been contributed as of December 31, 2022.
7. In 2022, Ample, Kenmec Technology (Fuqing) Co., Ltd., and Fraternity Trade Development (KunShan) remitted the payment and the liquidation was completed.
8. The Group's share of profit or loss and other comprehensive income of Aptos Technology and Hua-Xia Company for 2021 was based on the financial statements not audited by the CPAs. However, the management of the Company believes that the financial statements unaudited of the aforementioned investees do not yet have a material effect.
9. They are subsidiaries holding significant non-controlling equity: None.

(II) Information on subsidiaries holding significant non-controlling equity

Name of the subsidiary	Proportion of shareholding and voting right with non-controlling equity December 31, 2022	Proportion of shareholding and voting right with non-controlling equity December 31, 2021
Tainergy	72.83%	72.81%

For the main territory and the country in which the company is registered, please refer to Table 8.

Name of the subsidiary	Profit (loss) on distribution to non-controlling equity 2022	Profit (loss) on distribution to non-controlling equity 2021	Non-controlling equity December 31, 2022	Non-controlling equity December 31, 2021
Tainergy (without the non-controlling equity of subsidiaries)	$ 82,816	($ 620,723)	$ 1,569,202	$ 1,235,171

The following financial information summary is prepared based on the amount before elimination of inter-company transactions:

Tainergy and Subsidiaries

	December 31, 2022	December 31, 2021
Current assets	$ 1,742,812	$ 2,222,226
Non-current assets	1,644,628	1,811,293
Current liabilities	(646,240)	(1,872,490)
Non-current liabilities	(249,744)	(352,119)
Equity	$ 2,491,456	$ 1,808,910
Equity attributed to:		
The owner of the Company	$ 644,300	$ 482,929
Non-controlling equity of Tainergy	1,569,202	1,235,171
Non-controlling equity of Tainergy's subsidiaries	277,954	90,810
	$ 2,491,456	$ 1,808,910

	2022	2021
Operating revenue	$ 2,221,436	$ 1,583,558
Net profit (loss) for the year	$ 113,883	($ 861,798)
Other comprehensive income	33,818	32,762
Total comprehensive income	$ 147,701	($ 829,036)
Net profit (loss) attributable to:		
The owner of the Company	$ 152,023	($ 190,370)
Non-controlling equity of Tainergy	82,816	(620,723)
Non-controlling equity of Tainergy's subsidiaries	(120,956)	(50,705)
	$ 113,883	($ 861,798)
Total comprehensive income attributable to:		
The owner of the Company	$ 161,625	($ 180,643)
Non-controlling equity of Tainergy	107,032	(597,688)
Non-controlling equity of Tainergy's subsidiaries	(120,956)	(50,705)
	$ 147,701	($ 829,036)

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	2022	2021
Cash flow		
Operating activities	$ 171,841	($ 851,187)
Investment activities	(188,720)	288,869
Financing activities	140,321	696,981
Effects of changes in exchange rates	(8,717)	(2,896)
Net cash inflow	$ 114,725	$ 131,767

LII. Investment under the equity method

Investment in associates

	December 31, 2022	December 31, 2021
Individual unimportant associates	$ 37,260	$ 17,178

	2022	2021
Share enjoyed by the Group		
Current net profit of continuing operations	$ 15,826	$ 288
Other comprehensive income	-	-
Total comprehensive income	$ 15,826	$ 288

The Group's share of profit or loss and other comprehensive income in affiliates are calculated according to the unaudited financial reports. However, management of the Company believes that the unaudited financial reports of the above investees will not have a material impact.

LIII. Property, plant and equipment

	Land and land improvement	House and building	Machinery and equipment	Transport equipment	Other equipment	Uncompleted construction	Total
Cost							
Balance on January 1, 2022	$ 931,300	$ 988,834	$4,332,992	$ 68,040	$ 714,947	$ 335,932	$7,372,045
Addition	-	778	60,306	7,697	31,587	126,257	226,625
Disposal	-	(35,923)	(92,792)	(8,489)	(18,187)	-	(155,391)
Transferred to held for sale (Note 12)	(65,356)	-	(23,403)	-	51	(4,235)	(92,943)
Reclassification to investment property (Note 17)	-	(381,655)	-	-	-	-	(381,655)
Reclassification	-	750	293,831	-	7,293	(174,498)	127,376
Net exchange differences	-	20,968	142,159	3,787	36,193	(2,964)	200,143
Balance on December 31, 2022	$ 865,944	$ 593,752	$4,713,093	$ 71,035	$ 771,884	$ 280,492	$7,296,200
Accumulated depreciation and impairment							
Balance on January 1, 2022	$ 19,526	$ 515,028	$3,725,374	$ 55,821	$ 505,849	$ -	$4,821,598
Depreciation expenses	-	33,120	143,018	5,237	49,277	-	230,652
Disposal	-	(29,338)	(94,172)	(8,489)	(18,140)	-	(150,139)
Recognized impairment loss	-	-	59,338	8	879	-	60,225
Transferred to held for sale (Note 12)	(19,526)	-	(11,218)	-	51	-	(30,693)
Reclassification to investment property (Note 17)	-	(180,092)	-	-	-	-	(180,092)
Net exchange differences	-	8,881	116,281	3,810	27,545	-	156,517
Balance on December 31, 2022	$ -	$ 347,599	$3,938,621	$ 56,387	$ 565,461	$ -	$4,908,068
Net amount on December 31, 2022	$ 865,944	$ 246,153	$ 774,472	$ 14,648	$ 206,423	$ 280,492	$2,388,132

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	Land and land improvement	House and building	Machinery and equipment	Transport equipment	Other equipment	Uncompleted construction	Total
Cost							
Balance on January 1, 2021	$ 931,798	$1,556,965	$5,231,612	$ 79,592	$ 838,859	$ 629,359	$9,268,185
Effect of retroactive applications of the amendments to IAS 16	-	-	-	-	-	(5,553)	(5,553)
Balance on December 31, 2021 (after restatement)	931,798	1,556,965	5,231,612	79,592	838,859	623,806	9,262,632
Addition	-	156,895	124,713	1,417	105,455	314,337	702,817
Disposal	-	(6,749)	(772,232)	(13,651)	(185,481)	(17,156)	(995,269)
Sale of subsidiary (Note 34)	-	-	(86)	-	(94)	-	(180)
Reclassification	-	425,090	248,433	1,282	16,078	(673,077)	17,806
Transferred to held for sale (Note 12)	-	(1,073,093)	(509,112)	-	(94,188)	(613)	(1,677,006)
Transferred to investment property (Note 17)	-	(67,930)	-	-	-	-	(67,930)
Net exchange differences	(498)	(2,344)	9,664	(600)	34,318	88,635	129,175
Balance on December 31, 2021	$ 931,300	$ 988,834	$4,332,992	$ 68,040	$ 714,947	$ 335,932	$7,372,045
Accumulated depreciation and impairment							
Balance on January 1, 2021	$ 16,395	$ 776,907	$4,531,540	$ 64,168	$ 570,341	$ -	$5,959,351
Depreciation expenses	3,252	55,563	172,945	5,711	60,245	-	297,716
Recognized impairment loss	-	-	196,385	-	125,308	-	321,693
Disposal	-	(2,656)	(759,211)	(13,651)	(176,871)	-	(952,389)
Sale of subsidiary (Note 34)	-	-	(7)	-	(7)	-	(14)
Reclassification	-	-	(4,483)	-	4,483	-	-
Transferred to held for sale (Note 12)	-	(287,681)	(486,651)	-	(92,537)	-	(866,869)
Transferred to investment property (Note 17)	-	(28,094)	-	-	-	-	(28,094)
Net exchange differences	(121)	989	74,856	(407)	14,887	-	90,204
Balance on December 31, 2021	$ 19,526	$ 515,028	$3,725,374	$ 55,821	$ 505,849	$ -	$4,821,598
Net on December 31, 2021 (after restatement)	$ 911,774	$ 473,806	$ 607,618	$ 12,219	$ 209,098	$ 335,932	$2,550,447

(I) As Taisic Materials Co. invests in the field of silicon carbide, the revenue is yet significantly shown. Taisic Materials Co. of the Group expected that the future economic benefits for machinery and equipment used to produce such product would be reduced. Taisic Materials Co. appointed an expert to evaluate the fair value of equipment based on the usage of the assets and a recoverable amount of NT$255,529 was calculated, which was less than the carrying amount. Therefore, the Group recognized an impairment loss of NTD 59,402 thousand in 2022. The impairment loss was stated under other profits and losses in the consolidated statement of comprehensive income. The recoverable amount of this machinery and equipment was determined by the Group's Taisic Materials Co. at fair value less costs of disposal. The relevant fair value was determined by the cost method, which is mainly assumed to be economic depletion and is a Level 3 fair value measurement.

The Group's Vietnergy Co., Ltd. expected that the recoverable amount of machinery and equipment used for production in Vietnam would be less than the carrying amount due to idleness. Therefore, NTD 823 thousand was recognized as an impairment loss in 2022. The impairment loss was stated under other profits and losses in the consolidated statement of comprehensive income.

(II) The utilization of the production capability of the Solar Cell Department of Vietnergy Co., Ltd. has been poor. The Group expected that the future economic benefits from the machinery and equipment used to produce such product would decrease. Hence the Group engaged an expert to evaluate the fair value of the equipment based on the use of the assets, and a recoverable amount of NTD 868,626 thousand was calculated, which was less than the carrying amount. Therefore, an impairment loss of NTD 312,976 thousand was recognized in 2021. The impairment loss was stated under other profits and losses in the consolidated statement of comprehensive income. The Group determined the recoverable amount of this machinery and equipment using fair value less costs of disposal. Related fair value was determined by the cost method, mainly assumed to be economic depletion, which is a Level 3 fair value measurement.

The Group's machines and equipment in Mainland China expected to be used for production were left idle. As a result, the recoverable amount of the machinery and equipment was lower than the book value. Therefore, an impairment loss of NTD 8,717 thousand was recognized in 2021. The impairment loss was stated under other profits and losses in the consolidated statement of comprehensive income.

The depreciation expense was calculated on the straight-line basis over the following useful lives:

Land improvement	20 years
House and building	
Main factory building	20-50 years
Mechanical & electric power equipment	8-10 years
Engineering system	4-6 years
Machinery and equipment	
Solar power system	16-20 years
Auto warehouse equipment	16 years
Cleanroom equipment	6-12 years
Boiler equipment	6-8 years
SMT production line	6-9 years
Test equipment	6-10 years
Electricity transmission, distribution and transformer equipment	20 years
System and equipment construction	3-18 years
Solar power equipment	2-10 years
Machine tool/machinery	5-10 years
Instrument	3-8 years
Transport equipment	4-8 years
Other equipment	1-10 years

For the amount of the property, plant and equipment mortgaged as collateral for loans, please refer to Note 40.

LIV. Lease agreement

(I) Right-of-use assets

	December 31, 2022	December 31, 2021
Book value of right-of-use assets		
Land	$ 86,365	$ 104,396
Building	416,566	429,671
Office equipment	344	-
	$ 503,275	$ 534,067

	2022	2021
Addition of right-of-use assets	$ 37,863	$ 381,279
Lease modification of right-of-use assets	$ 14,604	$ -
Disposal of right-of-use assets	$ 7,979	$ 6,426
Depreciation expense of right-of-use assets		
Land	$ 2,644	$ 4,453
Building	25,494	30,848
Office equipment	83	-
	$ 28,221	$ 35,301
Capitalization of depreciation expenses	$ 18,650	$ 8,257

Other than the additions and depreciation expenses recognized listed above, there were no significant subleases or impairments of the right-of-use assets of the Group in 2022 and 2021.

On October 22, 2021, the Group's Board of Directors resolved to dispose of land use rights and ground buildings of Tainergy Kunshan to Kunshan Changshunhong Energy Technology Co., Ltd. for RMB12,254 thousand, which was reclassified to non-current assets held for sale, please refer to Note 12. On October 27, 2022, the transfer of the building and construction and right-of-use assets was completed with Kunshan Changshunhong Energy Technology Co., Ltd.

The Group built equipment on the leased right-of-use asset. During construction, depreciation and interest expenses incurred were capitalized to repayment of equipment. For capitalization of interest expenses, please refer to Note 28.

For the right-of-use assets pledged as collateral for loans, please refer to Note 40.

(II) Lease liabilities

	December 31, 2022	December 31, 2021
Book value of lease liabilities		
Current	$ 35,518	$ 18,053
Non-current	309,551	333,821
	$ 345,069	$ 351,874

Range of discount rate for lease liabilities is as follows:

	December 31, 2022	December 31, 2021
Land	5.2%	5.2%
Building	1.68%～5.49%	1.68%～5.49%
Office equipment	3.94%	-

(III) Important lease activities and terms

The Group also rents several land lots and buildings for plants and offices with a lease term of 1.25–20 years. After the termination of the lease period, the Group is not entitled to a bargain purchase option for the land and buildings rented.

(IV) Other lease information

For the contract of the Group to lease out investment property under operating lease, please refer to Note 17.

	2022	2021
Short-term lease and lease expense of low-value assets	$ 14,995	$ 6,861
Total cash (outflow) amount for lease	($ 46,913)	($ 49,420)

The Group opts to apply the exemption of recognition to the lease of property which is qualified as a short-term lease or a lease of low-value assets, and does not recognize right-of-use assets and lease liabilities with respect to such lease.

The Group had no rental commitments with a lease term commencing after the balance sheet date on both December 31, 2022 and 2021.

LV. Investment property

	Completed investment property
Cost	
Balance on January 1, 2022	$ 1,469,611
Reclassification	381,655
Disposal	(120,036)
Net exchange differences	14,432
Balance on December 31, 2022	$ 1,745,662
Accumulated depreciation	
Balance on January 1, 2022	$ 392,132
Depreciation expenses	78,045
Reclassification	180,092
Disposal	(61,018)
Net exchange differences	2,102
Balance on December 31, 2022	$ 591,353
Net amount on December 31, 2022	$ 1,154,309
Cost	
Balance on January 1, 2021	$ 797,161
Reclassification	740,215
Disposal	(61,743)
Net exchange differences	(6,022)
Balance on December 31, 2021	$ 1,469,611

Accumulated depreciation	
Balance on January 1, 2021	$ 346,765
Depreciation expenses	48,815
Reclassification	28,094
Disposal	(28,972)
Net exchange differences	(2,570)
Balance on December 31, 2021	$ 392,132
Net on December 31, 2021	$ 1,077,479

The total lease payments to be received in the future for lease-out of investment property under operating leases are as follows:

	December 31, 2022	December 31, 2021
1st year	$ 98,524	$ 84,411
2nd year	87,809	70,410
3rd year	83,744	66,604
4th year	83,166	67,565
5th year	83,521	67,565
Over 5 years	914,602	903,854
	$ 1,351,366	$ 1,260,409

The investment property was depreciated on the straight-line basis over the following useful lives:

House and building	20–26.5 years

The fair values of the Company's investment in real property in the mechanical company for 2022 and 2021 were not evaluated by independent valuers but were evaluated by the Group's management using a valuation model commonly used by market participants and measured using Level 3 inputs. The evaluation was performed with reference to the market evidence related to the transaction price of similar properties. The valuated fair value is as follows:

	December 31, 2022	December 31, 2021
Fair value	$ 731,772	$ 937,609

The fair values of the investment properties of the Group's Kenmec Property Development for 2022 and 2021 were not valuated by independent valuation personnel, but only valuated by management using valuation models commonly used by market participants on the balance sheet date using Level 3 inputs. The valuation was carried out by referring to a similar cash flow method, and important unobservable inputs used include a discount rate of 1.83%. The fair values from the valuation were as follows:

	December 31, 2022	December 31, 2021
Fair value	$ 660,706	$ 671,252

The fair values of the investment properties of the Group's Tainergy Kunshan for 2022 and 2021 were not valuated by independent valuation personnel, but only valuated by management using valuation models commonly used by market participants and by Prudential Cross-Strait Real Estate Appraisers Firm on the balance sheet date using Level 3 inputs. The evaluation was performed with reference to the market evidence related to the transaction price of similar properties. The valuated fair value is as follows:

	December 31, 2022	December 31, 2021
Fair value	$ 307,622	$ 47,171

All of the Group's investment properties belong to self-owned equity. For the amount of investment properties pledged as collateral for loans, please refer to Note 40.

LVI. Other intangible assets

	Patent right	Computer software cost	Other intangible assets	Total
Cost				
Balance on January 1, 2022	$ 19,048	$ 31,531	$ 12,020	$ 62,599
Acquired separately	-	13,611	-	13,611
Disposal	-	(155)	(12,020)	(12,175)
Net exchange differences	-	(396)	-	(396)
Balance on December 31, 2022	$ 19,048	$ 44,591	$ -	$ 63,639
Accumulated amortization and impairment				
Balance on January 1, 2022	$ 3,810	$ 24,482	$ 12,020	$ 40,312
Amortization expenses	1,905	5,283	-	7,188
Disposal	-	(155)	(12,020)	(12,175)
Recognized impairment loss	13,333	-	-	13,333
Net exchange differences	-	(403)	-	(403)
Balance on December 31, 2022	$ 19,048	$ 29,207	$ -	$ 48,255
Net amount on December 31, 2022	$ -	$ 15,384	$ -	$ 15,384
Cost				
Balance on January 1, 2021	$ 22,548	$ 39,334	$ -	$ 61,882
Acquired separately	-	5,192	-	5,192
Acquired by business combination	-	-	12,020	12,020
Disposal	(3,500)	(12,995)	-	(16,495)
Balance on December 31, 2021	$ 19,048	$ 31,531	$ 12,020	$ 62,599
Accumulated amortization				
Balance on January 1, 2021	$ 5,405	$ 31,644	$ -	$ 37,049
Amortization expenses	1,905	5,833	12,020	19,758
Disposal	(3,500)	(12,995)	-	(16,495)
Balance on December 31, 2021	$ 3,810	$ 24,482	$ 12,020	$ 40,312
Net on December 31, 2021	$ 15,238	$ 7,049	$ -	$ 22,287

Since there was no sign of impairment in 2021, the Group did not conduct impairment assessment.

The amortization expense was calculated on the straight-line basis over the following useful lives:

Patent right	3-7 years
Computer software cost	1-3 years

Summary of amortization expenses by function:

	2022	2021
Operating costs	$ 1,798	$ 7,694
Marketing expense	711	2,328
Administrative expense	1,988	4,507
R&D expense	2,691	5,229
	$ 7,188	$ 19,758

LVII. Other assets

	December 31, 2022	December 31, 2021
Current		
Prepayments		
Prepayment for purchase (I)	$ 78,016	$ 15,230
Prepaid expenses	70,037	69,202
Overpaid tax retained for offsetting the future tax payable	65,118	103,864
	$ 213,171	$ 188,296
Other current assets		
Other financial assets (VI)		
– Current deposit reserve account	$ 207,193	$ 121,921
– Time deposit pledge	-	17,000
Construction guarantee deposits paid	66,920	47,304
Others	936	1,088
	$ 275,049	$ 187,313
Non-current		
Prepayment for equipment (II)	$ 106,341	$ 86,190
Guarantee deposits paid (III)	32,083	46,874
Other non-current assets		
Other financial assets – reserve account (VI)	149,219	182,398
Prepayment for investment (V)	493,696	-
Overdue receivables (IV)	22,312	30,829
Loss allowance – overdue receivables	(22,312)	(30,829)
Net defined benefit assets (Note 24)	4,016	1,100
Others	15,450	3,450
	$ 800,805	$ 320,012

(I) Prepayment for purchase

The Group's prepayments for purchase were mainly the prepayments made according to the requirements of the material purchase contracts signed between Tainergy and Sino-American Silicon Products Inc.

As of December 31, 2022 and 2021, an accumulated impairment loss of NTD 164,930 thousand and NTD 166,969 thousand has been appropriated for the prepayment for purchase, respectively. Please refer to the description of Note 41.

A profit of NTD 2,039 thousand and a loss of NTD 13,288 thousand were recognized as a reduction of operating costs from prepayment for purchase impairment reversal gain and the operating cost in 2022 and 2021, respectively. Please refer to the description of Note 11.

(II) Prepayment for equipment

The Group's prepayments for equipment are the prepayments made for purchasing property, plant and equipment needed for production of the commodities or services to be supplied according to the purchase contracts.

(III) Guarantee deposits paid

1. The loan performance guarantee between the Group's Tainergy Kunshan and Chailease Specialty Finance Co., Ltd. was NTD 8,000 thousand.
2. The contract performance deposit for inventory sale-leaseback loans of the deposits deductible from payments for purchased materials and non-returnable deposits paid according to the requirements of the material purchase contract signed between the Group's Tainergy and SunEdison Products Singapore Pte, Ltd. (originally named MEMC Singapore Pte, Ltd.) As of December 31, 2022 and 2021, the balance of the deposits deductible from payments for purchased materials was NTD 0. As of December 31, 2022 and 2021, an accumulated impairment loss of NTD 1,048,772 thousand has been appropriated for its guarantee deposits paid. Please refer to the description of Note 41.
3. The Group's Tainergy entered into purchase contracts with other vendors in 2021. Deductible purchase guarantees for the purchase of materials were paid according to the contracts. As of December 31, 2022 and 2021, the balances of deductible purchase guarantees for the purchase of materials were NTD 10,253 thousand and NTD 12,012 thousand, respectively.

(IV) Overdue receivables

The Group's overdue receivables are the receivables overdue more than 1 year, and 100% of the loss allowance with respect to such overdue receivables are recognized. Please refer to the description in Note 10.

(V) Prepayment for investment

The Group's Suzhou Technology Company entered into a contract with Rong Yao Cultural Tourism Development Group, expecting to jointly establish Anhui Rong Yun Property Development Co., Ltd., with the Company holding 35% of the shares. As of December 31, 2022, as the company was still in the preparatory stage, it was recorded as prepaid investment.

(VI) Other financial assets

The other financial assets of the Group were mainly the current deposits for application to the bank for issuance of acceptances and the current deposits and bank accounts pledged for acquisition of project tenders. Please refer to the description in Note 40.

LVIII. Loan

(I) Short-term loans

	December 31, 2022	December 31, 2021
Unsecured loans		
Credit loans	$ 35,392	$ 21,893
Secured loan (Note 40)		
Bank loans	298,290	418,177
	$ 333,682	$ 440,070

The interest rate of working loans on December 31, 2022 and 2021 was 3.4%–6.65% and 1.3%–4.2%, respectively.

(II) Long-term loans

	Maturity date	Material terms	Effective interest rate	December 31, 2022	December 31, 2021
Unsecured loans					
Taiwan Business Bank	February 5, 2026	The loan totals NTD 100,000 thousand for a period of 5 years (non-revolving) without a grace period. It is disbursed on a lump-sum basis or in installments. The interest is paid every month. The installments of the principal is paid in equal each month from the date of automatic repayment of principal.	2.725%	$ 65,559	$ 85,271
Taiwan Business Bank	June 18, 2026	The loan totals NTD 30,000 thousand. The principal and interest are amortized in 60 installments in 1-month intervals starting 1 year after the date of borrowing.	2.625%	26,407	30,000
Taiwan Business Bank	December 18, 2023	The loan totals NTD 30,000 thousand. The principal and interest are amortized in 30 installments in 1-month intervals starting 1 year after the date of borrowing.	2.375%	12,000	24,000
Taiwan Business Bank	November 30, 2027	The loan totals NTD 80,000 thousand. The interest was amortized from the 1st installment to the 6th installment on a monthly basis from the date of borrowing, and the amortization of the principal and interest began from the 7th installment.	2.435%	10,000	-
CHAILEASE SPECIALTY FINANCE CO., LTD.	June 30, 2023	The loan totals NTD 150,000 thousand. The interest was amortized from the 1st installment to the 6th installment on a monthly basis from the date of borrowing, and the amortization of the principal and interest began from the 7th installment.	3.5%	-	149,434
Secured loan (Note 40)					
Hua Nan Bank	December 29, 2023	The loan totals NTD 54,000 thousand and is repaid on a monthly basis from January 29, 2011. The interest is paid every month.	2.33%	4,718	9,341
First Commercial Bank	October 13, 2032	The loan totals NTD 110,000 thousand with a grace period of 1 years. It is disbursed on a lump-sum basis or in installments. The interest is paid every month. The installments of the principal are calculated from the expiry date of the grace period at an interval of 1 month. The principal is amortized in 168 installments.	2.23%	69,464	87,426
The Shanghai Commercial & Savings Bank	July 27, 2025	The loan totals NTD 90,000 thousand with a grace period of 2 years. It is disbursed on a lump-sum basis or in installments. The interest is paid every month. The installments of the principal are calculated from the expiry date of the grace period at an interval of 3 months. The principal is amortized in 12 installments.	2.505%	82,500	90,000
The Shanghai Commercial & Savings Bank	June 15, 2027	The total loan amount is NTD 3,630 thousand. Interest of the loan is paid monthly and the principal is repayable in 24 equal installments from one month from the date of expiration of the grace period (3 years).	1.97%	3,630	-
Bank of Taiwan	June 15, 2024	Total loan amount of NTD 400,000 thousand.	2.05%	400,000	-
Taiwan Business Bank	January 10, 2035	The loan totals NTD 260,000 thousand for a period of 15 years (non-revolving) with a grace period of 2 years. It is disbursed on a lump-sum basis. The interest is paid every month. The installments of the principal are calculated from the expiry date of the grace period at an interval of 3 months. The principal is amortized in 52 installments.	2.075%	245,000	260,000

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	Maturity date	Material terms	Effective interest rate	December 31, 2022	December 31, 2021
The Bank of East Asia	October 11, 2026	The loan totals RMB 44,000 thousand. The principal and interest are paid equally every month.	5.338%	$ -	$ 93,666
The Bank of East Asia	October 11, 2026	The loan totals RMB 46,000 thousand. The interest is paid every month and the principal is repaid on the due date.	5.338%	-	9,487
CHAILEASE SPECIALTY FINANCE CO., LTD.	April 30, 2022	The loan totals NTD 80,000 thousand. The interest and principal are amortized on a monthly basis from the date of first drawdown.	2.6%	-	20,305
Bank SinoPac	April 28, 2025	The loan totals NTD 48,550 thousand. The principal and interest are amortized on a monthly basis from the date of borrowing.	2.74%	37,292	41,485
Bank SinoPac	July 28, 2027	The loan totals NTD 3,308 thousand. The principal and interest are amortized in 84 installments at an interval of 1 month from the date of borrowing.	2.74%	24,328	27,676
Bank SinoPac	August 28, 2027	The loan totals NTD 4,943 thousand. The principal and interest are amortized in 84 installments at an interval of 1 month from the date of borrowing.	2.74%	14,702	18,227
Bank SinoPac	September 28, 2028	The loan totals NTD 6,592 thousand. The principal and interest are amortized in 138 installments at an interval of 1 month from the date of borrowing.	2.74%	16,639	16,704
IBT Leasing Co., Ltd.	February 26, 2022	The loan totals NTD 25,000 thousand. The principal and interest are amortized in 24 installments at an interval of 1 month from the date of borrowing.	3.44%	-	994
Hotai Finance Co., Ltd.	March 30, 2022	The loan totals NTD 50,000 thousand. The principal and interest are amortized in 24 installments at an interval of 1 month from the date of borrowing.	3.12%	-	6,508
Hua Nan Bank	October 18, 2025	The loan totals NTD 345 thousand. The principal and interest are amortized in 60 installments at an interval of 1 month from the date of borrowing.	2.5%	195	265
Hua Nan Bank	October 18, 2025	The loan totals NTD 1,955 thousand. The principal and interest are amortized in 60 installments at an interval of 1 month from the date of borrowing.	2.5%	1,108	1,499
Hua Nan Bank	May 3, 2026	The loan totals NTD 7,700 thousand. The principal and interest are amortized in 60 installments at an interval of 1 month from the date of borrowing.	2.5%	5,262	6,802
Taiwan Business Bank	February 8, 2024	The loan totals NTD 10,000 thousand. The principal and interest are amortized in 36 installments at an interval of 1 month from the date of borrowing.	2.16%	3,889	7,222
The Shanghai Commercial & Savings Bank	September 3, 2026	The loan totals NTD 10,000 thousand. The principal and interest are amortized in 60 installments at an interval of 1 month from the date of borrowing.	2.545%	-	9,333
The Shanghai Commercial & Savings Bank	August 5, 2026	The loan totals NTD 10,000 thousand. The principal and interest are amortized in 60 installments at an interval of 1 month from the date of borrowing.	2.545%	-	9,333
The Shanghai Commercial & Savings Bank	August 6, 2026	The loan totals NTD 10,000 thousand. The principal and interest are amortized in 60 installments at an interval of 1 month from the date of borrowing.	2.545%	-	29,488
Subtotal				1,022,693	1,034,466
Less: Due within one year				(117,252)	(243,743)
Long-term loans				$ 905,441	$ 790,723

For information on the Group's provision of guarantee and pledge for the aforementioned long-term loans, please refer to Note 40.

LIX. Notes and accounts payable

	December 31, 2022	December 31, 2021
Notes payable		
From operation	$ 1,260	$ 11,165
Not from operation	88	231
	$ 1,348	$ 11,396
Accounts payable		
From operation	$ 644,196	$ 527,506
Accounts payable – related parties (Note 39)		
From operation	$ 2,129	$ 34,521

The average credit period for purchasing raw materials, materials and commodities is 30–120 days. Interest is not included in the accounts payable recognized with respect to such purchase. the Group reviews the remaining debts on a regular basis to ensure that all payables can be paid back within the agreed term of credit.

LX. Other liabilities

	December 31, 2022	December 31, 2021
Current		
Other payables		
Equipment payment payable	$ 41,984	$ 41,354
Expenses payable	335,992	370,699
Others	159,354	1,227
	$ 537,330	$ 413,280
Other receipts in advance (I)	$ -	$ 818,065
Deferred income (II)	$ 1,095,670	$ 415,244
Other liabilities		
Collections	$ 23,674	$ 20,534
Refund liabilities	5,771	5,798
Rent collected in advance	27,420	27,058
Deferred income (III)	10,990	-
Others	-	54
	$ 67,855	$ 53,444
Other payables – related parties (Note 39)	$ 3,755	$ 7,791
Non-current		
Long-term deferred income		
Government grants (III)	$ 61,759	$ 62,997
Other liabilities		
Guarantee deposits received	$ 34,536	$ 38,485

(I) The Group's Tainergy sold right-of-use assets and property, plant and equipment to Kunshan Changshunhong Energy Technology Co., Ltd. and received other prepayment of NTD 818,065 thousand. On October 27, 2022, the transfer of the building and construction and right-of-use assets was completed with Kunshan Changshunhong Energy Technology Co., Ltd. Please refer to Note 41.

(II) Due to the requirements of the government's construction project, the Group's Kenmec Mecha-Tronics and Kenmec Technology (Suzhou) entered into a house demolition compensation agreement with the local government authority, and received demolition payments of RMB 99,000 thousand and RMB 172,000 thousand, respectively, and paid demolition-related fees of RMB 11,691 thousand and RMB 10,745 thousand, respectively.

(III) For the deferred income generated from the government grants acquired by the Group, please refer to Note 32.

LXI. Liability reserve

	December 31, 2022	December 31, 2021
Current		
Warranty (I)	$ 21,584	$ 10,945
Rework (II)	2,079	6,152
Onerous contract	626	3,320
	$ 24,289	$ 20,417
Non-current		
Warranty (I)	$ 2,063	$ 2,278

(I) The warranty liability reserve is the present value of the best estimate estimated for any future outflow of economic benefits due to warranty obligation by the Group's management according to the agreements in contracts for sale of commodities. The estimate is based on the Company's historical warranty experience and adjusted in consideration of new raw materials, procedural changes or other factors that influence the quality of the products.

(II) The rework liability reserve is an estimated cost in case of rework for the goods that have been sold to the customer. It is stated as operating cost in the account. Since no significant effect is expected with the discount, the measured amount of the rework liability reserve is not discounted.

LXII. Retirement benefit plan

(I) Defined contribution plan

The pension system applicable to the Company and the Group's Kentec and Tainergy according to the "Labor Pension Act" is the defined pension appropriation plan managed by the government. A pension equal to 6% of an employee's monthly wage shall be appropriated to the individual labor pension account at the Bureau of Labor Insurance.

(II) Defined benefit plan

The pension system applicable to the Group, Kentec and Tainergy of the Group according to the "Labor Standards Act" is the defined retirement benefit plan managed by the government. The years of service rendered and the average wage of six months prior to the approved retirement date shall be the reference for calculation of the pension to be paid to the employee. These companies appropriate 2% of the total wage of an employee as the labor pension fund every month and remit the amount to the labor pension reserve funds account at the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. Before the end of each year, if the assessed balance in the account is inadequate to make a full payment of pensions to the employees who may meet the retirement conditions in the next year, we will make up the difference in one appropriation before the end of March the following year. The account is managed by the Bureau of Labor Funds, Ministry of Labor and the Group does not have the right to influence the investment management strategies.

The amounts of the defined benefit plan included in the consolidated balance sheet are listed as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	$ 165,762	$ 184,664
Fair value of plan assets	(108,085)	(106,944)
	57,677	77,720
Add: Net defined benefit assets (Note 19)	4,016	1,100
Net defined benefit liabilities	$ 61,693	$ 78,820

Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1, 2021	$ 205,898	($ 113,026)	$ 92,872
Service cost			
Current service cost	135	-	135
Interest expense (income)	1,030	(572)	458
Recognition in profit or loss	1,165	(572)	593
Remeasurement			
Return on plan assets (except for any amount included in net interest)	-	(1,531)	(1,531)
Actuarial loss (profit)			
– Changes in demographic assumption	5,613	-	5,613
– Changes in financial assumption	(19,014)	-	(19,014)
– Experience adjustments	4,847	-	4,847
Recognition in other comprehensive income	(8,554)	(1,531)	(10,085)
Contribution by employer	-	(2,612)	(2,612)
Payment of benefits	(10,797)	10,797	-
Company account payment	(3,048)	-	(3,048)
December 31, 2021	184,664	(106,944)	77,720
Service cost			
Current service cost	57	-	57
Interest expense (income)	1,164	(678)	486
Recognition in profit or loss	1,221	(678)	543

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Remeasurement			
Return on plan assets (except for any amount included in net interest)	$ -	($ 8,691)	($ 8,691)
Actuarial loss (profit)			
– Changes in financial assumption	(11,020)	-	(11,020)
– Experience adjustments	246	-	246
Recognition in other comprehensive income	(10,774)	(8,691)	(19,465)
Contribution by employer	-	(1,121)	(1,121)
Payment of benefits	(9,349)	9,349	-
December 31, 2022	$ 165,762	($ 108,085)	$ 57,677

The amounts of the defined benefit plan recognized in profit or loss are summarized by function as follows:

	2022	2021
Operating costs	$ 389	$ 958
Marketing expense	7	283
Administrative expense	(7)	(1,015)
R&D expense	154	367
	$ 543	$ 593

The Group is exposed to the following risks due to the pension system under the "Labor Standards Act":

1. Investment risk: The Bureau of Labor Funds, Ministry of Labor separately has invested the labor pension fund in domestic (foreign) equity and debt securities, and bank deposits. The investment is conducted at the discretion of the Bureau or under the mandated management. However, the profit generated from the Group's plan assets shall be calculated with an interest rate not below the interest rate for a 2-year time deposit with local banks.
2. Interest rate risk: A decrease in the interest rates of government bonds and corporate bonds leads to increase the present value of the defined benefit obligation, and the return on debt investment of the plan assets will be increased accordingly. The net defined benefit liabilities may be partially offset by both increases.
3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salary of the plan participants. Therefore, the present value of the defined benefit obligation will be increased due to an increase in the plan participants' salary.

The Group's present value of the defined benefit obligation was calculated actuarially by a qualified actuary. The major assumptions on the date of measurement are as follows:

	December 31, 2022	December 31, 2021
Discount rate	0.25%	0.625%
Anticipated salary increase rate	2.25%～2.75%	2.25%～2.75%

If there were any reasonably possible changes to the major actuarial assumptions separately, the resulting increase (decrease) in the present value of the defined benefit obligation in the situation where all the other assumptions remained the same is as follows:

	December 31, 2022	December 31, 2021
Discount rate		
Increase by 0.25%	($ 3,414)	($ 4,219)
Decrease by 0.25%	$ 3,525	$ 4,366
Anticipated salary increase rate		
Increase by 0.25%	$ 3,449	$ 4,242
Decrease by 0.25%	($ 3,359)	($ 4,122)

Since the actuarial assumptions might be correlated to each other, and it was unlikely that the changes were only in a single assumption, the aforesaid sensitivity analysis might not reflect the actual changes in the present value of the defined benefit obligation.

	December 31, 2022	December 31, 2021
Expected contribution within 1 year	$ 979	$ 2,642
Average maturity of defined benefit obligations	8.1–13 years	8.8-14.4 years

(III) Since B.V.I. – Kenmec International, Kenmec Technology, Kenmec Mecha-Tronics, Kenmec Property Development, B.V.I. – Kenmec Communication, Kenmec Vietnam, SAMOA – Tainergy Tech., Tainergy Kunshan, Kunshan Kunfu Electronic Materials Co., Ltd., Kunshan Jichang Energy Technology Co., Ltd., and Vietnergy Company Limited of the Group have not established employee retirement regulations and the local government does not formulate mandatory employee retirement regulations, the aforesaid information does not apply.

LXIII. Maturity analysis on asset liabilities

The assets and liabilities of the Group with respect to the construction business are classified as current or non-current with the operating cycle as standard. The related amount recognized based on the amount anticipated to be recovered or reimbursed within a year and more than a year after the balance sheet date is as follows:

	Within 1 year	More than 1 year	Total
December 31, 2022			
Assets			
Contract assets	$ 13,494	$ 440,916	$ 454,410
Liability			
Contract liabilities	$ 180,490	$ 1,098,940	$ 1,279,430
December 31, 2021			
Assets			
Contract assets	$ 22,299	$ 422,698	$ 444,997
Liability			
Contract liabilities	$ 122,170	$ 1,214,756	$ 1,336,926

LXIV. Equity

(I) Share capital

Common shares

	December 31, 2022	December 31, 2021
Number of authorized shares (thousand shares)	402,000	402,000
Authorized capital	$ 4,020,000	$ 4,020,000
Number of shares issued and fully paid (thousand shares)	249,011	249,011
Issued capital	$ 2,490,112	$ 2,490,112

(II) Capital reserves

	December 31, 2022	December 31, 2021
Available for makeup of loss, distribution of cash dividends or transfer into capital (1)		
Stock issuance in excess of par value	$ 39,206	$ 429,656
Treasury stock trading	72,665	68,626

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	December 31, 2022	December 31, 2021
Difference between the actual price for acquisition of equity in subsidiaries and the book value	$ 68,244	$ 81,364
Only available for makeup of loss (2)		
Recognition of changes in equity ownership in subsidiaries	113,754	24,580
	$ 293,869	$ 604,226

1. These capital reserves may be used to make up losses or to distribute cash dividends or be transferred into the capital if the Company does not incur a loss. However, the amount of the transfer into the capital shall be limited to a certain percentage of the paid-in capital in every year.
2. These capital reserves are the equity transaction effects recognized by the Company as a result of the changes of the equity in subsidiaries when the Company does not actually acquire or dispose the equity of the subsidiaries, or the adjustments for the Company to recognize subsidiaries' capital reserves under the equity method.

(III) Retained earnings and dividend policy

The Company approved the Articles of Incorporation through the resolution made at the shareholders' meeting on June 23, 2020. They expressly specify that the Company authorizes the Board of Directors to distribute the distributable dividends and bonuses in the form of cash and report at the shareholders' meeting.

According to the Company's earnings distribution policy specified in the amendments of the Articles of Incorporation, if the Company has a profit at the year's final accounting, it shall first pay the income tax and make up any cumulative losses in accordance with laws, and then make a 10% contribution of the balance to the legal reserve, and also make provision/reversal of special reserves pursuant to the laws. Any balance thereof shall, together with the accumulated undistributed earnings and the "adjusted amount of the annual undistributed profits," be submitted by the Board of Directors in the form of an earnings distribution proposal to the shareholders' meeting for ratification. For the distribution policy of employee and director remuneration stipulated in the Company's Articles of Incorporation, please refer to in Note 28 (VII) Remuneration to employees and directors.

The Company's business is currently in the stage of operational growth, requiring profits to be retained as funding necessary for operational growth and investments. Therefore, the Company currently adopts a "balance as dividend" policy, giving consideration to the distribution of a balanced dividend equaling at least 50% of the annual net profits after tax. The Board of Directors may, however, submit a proposal for distribution to the shareholders' meeting for decision after taking into account the actual funding situation of the Company.

Profits may be distributed in the form of a combination of cash and stock dividends, provided that cash dividend is at least 20% of the total dividend. The shareholders' meeting may, however, make adjustment thereto based on future funding plans.

Legal reserves shall be prepared to the amount at which the balance of the legal reserves reaches to the total paid-in capital. Legal reserves may be used to make up loss. Where the Company does not sustain loss, the part of the legal reserves that exceeds the total paid-in capital by 25% may be appropriated as capital or distributed by cash.

The Company held an annual general meeting on June 24, 2022 and August 27, 2021. Earnings distribution and loss make-up proposals in 2021 and 2020 approved at the said meetings are as follows:

	2021	2020
Special reserves	($ 9,455)	$ -
Cash dividends from capital reserves	$ 395,218	$ 370,517
Cash dividends from capital reserves per share (NTD)	$ 1.6	$ 1.5

The proposal for distribution of earnings in 2022 resolved by the Board of Directors on March 10, 2023 is as follows:

	2022
Legal reserves	$ 48,011
Special reserves	($ 22,025)
Cash dividend	$ 401,885
Cash dividend per share (NTD)	$ 1.62

The proposal for distribution of earnings in 2022 is to be resolved at the annual shareholders' meeting to be held on June 28, 2023.

(IV) Special reserves

	2022	2021
Balance – beginning of the year	$ 328,572	$ 328,572
Reversal of special reserves	(9,455)	-
Balance – ending of the year	$ 319,117	$ 328,572

The special reserve set aside for the land when IFRSs are applied for the first time may be reversed at the time of disposal or reclassification. The special reserve set aside for the exchange differences from the translation of foreign operations' financial statements (including subsidiaries) is reserved according to the percentage of disposal. It will be completely reversed when the Group loses the significant influence. When earnings are distributed, a special reserve shall be set aside for the difference between the net deduction of other shareholder's equities stated on the end date of the reporting period and the special reserve set aside when IFRSs are applied for the first time. If there is any reversal of the decrease in shareholders' equity, the earnings may be distributed based on the reversal proportion.

(V) Other equity

1. Exchange differences on translation of financial statements of foreign operations:

	2022	2021
Balance – beginning of the year	($ 256,306)	($ 264,268)
Amounts incurred in the year		
Exchange differences from foreign operations	18,538	2,376
Disposal of subsidiaries using the equity method	7,960	-
Disposal of part of interests in subsidiaries	68	-
Acquisition of partial equity in subsidiaries	-	5,586
Balance – ending of the year	($ 229,740)	($ 256,306)

2. Unrealized profit/loss on valuation of financial assets measured at fair value through other comprehensive income

	2022	2021
Balance – beginning of the year	($ 6,966)	($ 14,649)
Amounts incurred in the year		
Unrealized profit/loss		
Equity instruments	(5,352)	7,660
Disposal of part of interests in subsidiaries	1	-
Acquisition of partial equity in subsidiaries	-	23
Accumulated gain or loss on disposal of equity instruments transferred to retained earnings	810	-
Balance – ending of the year	($ 11,507)	($ 6,966)

(VI) Non-controlling equity

	2022	2021
Balance – beginning of the year	$ 1,347,238	$ 1,304,763
Effect of retroactive applications of the amendments to IAS 16 (Note 3)	-	294
Current net profit (loss)	(26,324)	(686,365)
Other comprehensive income for the year		
Exchange differences on translation of financial statements of foreign operations	23,848	21,697
Unrealized profit/loss from the financial assets measured at fair value through other comprehensive income	(44)	-
Remeasurement of defined benefits plans	774	312
Acquisition of partial equity in subsidiary Tainergy	$ -	$ 6,739
Disposal of partial equity in subsidiary Tainergy	(2,615)	239
Non-controlling equity – increase of capital in Tainergy not according to shareholding ratio	1,547	-
Non-controlling equity – increase of capital in Taisic Materials not according to shareholding ratio	(79,727)	(3,224)
Non-controlling equity – increase of capital in Kentec not according to shareholding ratio	-	5
Non-controlling equity – increase of capital in Star Solar New Energy not according to shareholding ratio	-	375
Non-controlling equity – increase of capital in Chief Global Logistics not according to shareholding ratio	2,759	-
Acquisition of equity in subsidiary Taisic Materials	630,000	147,040
Acquisition of equity in subsidiary Tainergy	-	553,002
Acquisition of subsidiary Aptos Technology	9,600	-
Non-controlling equity related to outstanding vested stock options held by Kentec's employees	28	-
Non-controlling equity related to outstanding vested stock options held by subsidiary Taisic Materials' employees	-	2,361
Balance – ending of the year	$ 1,907,084	$ 1,347,238

(VII) Treasury stocks

Cause of repurchase	Transfer of shares to employees (thousand shares)
Number of shares on January 1, 2021	-
Increase in the year	2,000
Number of shares on December 31, 2021	2,000
Number of shares on January 1, 2022	2,000
Increase in the year	2,000
Decrease in the Year	(3,066)
Number of shares on December 31, 2022	934

According to the Securities and Exchange Act, the treasury stock held by the Company shall not be pledged and entitled to any dividends and voting rights.

LXV. Revenue

	2022	2021
Revenue from contracts with customers		
Revenue from sale of products	$ 2,990,511	$ 2,453,917
Project income	2,256,416	1,507,230
Service income	55,722	57,274
Revenue from sale of electricity	18,884	21,357
Lease income	37,675	-
	$ 5,359,208	$ 4,039,778

(I) Description of contracts with customers

1. Revenue from sale of commodities

   Revenue from sale of commodities is generated from the sales of products. Once the products are delivered to the customer-designated location and accepted by the customer, the customer is entitled to the products' price determination and right of use, has the main responsibility to resell the products, and takes the risk that the products might become outdated. Therefore, the revenue and accounts receivable are recognized at that point of time.

   Solar cells and modules were sold to downstream manufacturers in the solar energy sector. the Group sold the products at the price agreed in the contract, quotation or order.

2. Project income

   Since the cost of construction is directly related to the percentage of fulfillment of the contractual obligation, the Group measures the progress based on the percentage of the actually invested cost in the estimated total cost. the Group progressively recognizes contract assets during the construction and transfer them to accounts receivable when issuance of bills. If the construction project proceeds received exceed the revenue recognized, the difference is recognized as contract liabilities. Construction retainage retained by customers according to contractual terms and conditions is to ensure that the Group fulfills all the contractual obligation thereof and is recognized as contract assets before the fulfillment of the contract.

If the result of the fulfillment cannot be measured reliably, the contract income is recognized only within the scope of the actually incurred contract fulfillment cost expected to be recovered.

3. Service income

Service income derives from repair of equipment.

With provision of the equipment repair service from the Group, the customer acquires and consumes the benefit from performance of the contract. Related income is recognized when services are completely provided. Since payment is made after completion of the repair as agreed in the contract, the Group recognizes the service income as contract assets when the service is provided and transfer it to account receivable when the repair is completed.

4. Revenue from sale of electricity

The revenue from sale of electricity was calculated based on the actually sold electricity by degree and the rate.

5. Lease income

Rental income is calculated based on the actual rent received and the frequency of use.

(II) Balance of contract amount

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts and notes receivable (Note 10)	$ 477,916	$ 558,064	$ 535,298
Contract assets			
Solar equipment construction	$ -	$ -	$ 14,102
Construction of automated equipment	454,410	444,997	435,152
Contract assets – current	$ 454,410	$ 444,997	$ 449,254
Contract liabilities			
Sale of commodities	$ 117,305	$ 63,219	$ 57,106
Real estate sales	12,939	36,897	80,053
Solar equipment construction	3,429	3,448	7,857
Construction of automated equipment	1,145,757	1,233,362	602,914
Contract liabilities – current	$ 1,279,430	$ 1,336,926	$ 747,930

Changes in loss allowance for contract assets are as follows:

	2022	2021
Balance – beginning of the year	$ -	$ -
Add: Impairment loss appropriated in the year	-	24,758

Less: Actual amount written off in the year	-	(24,758)
Balance – ending of the year	$ -	$ -

(III) Customer contract income breakdown

Please refer to Note 45 for income breakdown information.

LXVI. Net profit (loss) of continuing operations

(I) Interest income

	2022	2021
Bank deposit	$ 23,693	$ 13,129

(II) Other revenue

	2022	2021
Lease revenue		
Investment property	$ 70,734	$ 59,204
Government subsidy income (Note 32)	61,316	28,280
Dividend revenue	2,097	1,955
Revenue from the sale of molds and jigs	2,731	11,341
Others	26,631	15,196
	$ 163,509	$ 115,976

(III) Other profits and losses

	2022	2021
Profit on disposal of property, plants and equipment	$ 63,224	$ 3,823
Disposal of investment property benefits	49,766	57,788
DISPOSAL OF GAINS IN RIGHT-OF-USE ASSETS	37,509	-
Gains on disposal of non-current assets held for sale (Note 40)	146,853	-
Net foreign exchange gains	32,451	6,989
Gain (loss) on financial assets and liabilities		
Financial assets mandatorily measured at fair value through profit or loss	(3,988)	49,173
Impairment loss	(77,793)	(321,693)
Other revenues and expenses	(6,340)	(30,001)
	$ 241,682	($ 233,921)

For the impairment loss recognized by the Group in 2022 and 2021, please refer to the description in Notes 12, 15 and 18.

(IV) Financial costs

	2022	2021
Bank loan interest	$ 38,235	$ 52,284
Interest on lease liabilities	3,052	3,564
	$ 41,287	$ 55,848

Information on capitalization of interest:

	2022	2021
Capitalization of interest – amount	$ 5,564	$ 4,311
Capitalization of interest – interest rate	2.35%～2.99%	1.88%～4.248%

(V) Depreciation and amortization

	2022	2021
Summary of depreciation expenses by function		
Operating costs	$ 213,772	$ 256,335
Operating expenses	123,146	125,497
	$ 336,918	$ 381,832
Summary of amortization expenses by function		
Operating costs	$ 1,798	$ 7,694
Operating expenses	5,390	12,064
	$ 7,188	$ 19,758

(VI) Employee benefit expense

	2022	2021
Short-term employee benefits	$ 991,555	$ 936,324
Retirement benefits		
Defined contribution plan	25,366	23,659
Defined benefit plan (Note 24)	543	593
	25,909	24,252
Share-based payment (Note 31)	5,600	12,280
Total of employee benefit expenses	$ 1,023,064	$ 972,856
Summarized by function		
Operating costs	$ 526,914	$ 483,825
Operating expenses	496,150	489,031
	$ 1,023,064	$ 972,856

(VII) Remuneration to employees and directors

After deducting the profit before tax of the current year prior to distribution of the remuneration to employees, directors and supervisors, the amount to the percentage of 5%–15% was distributed as remuneration to employees and 1%–3% was distributed as remuneration to directors. Since there are losses before tax in 2021, no estimates were made for the remuneration to the employees or directors.

The remuneration to employees, directors and supervisors in 2022 was resolved by the Board of Directors on March 10, 2023 as follows:

Estimated ratio

	2022
Remuneration to employees	7.3%
Remuneration to directors	1.5%

Amount

	2022
Remuneration to employees	$ 37,262
Remuneration to directors	$ 7,657

If there were any changes in the amount after the approval and release date of annual consolidated financial statements, the change was treated as a change in accounting estimate and accounted in the following year.

There was no discrepancy between the actual distribution of remuneration to employees and directors in 2021 and 2020 and the amount recognized in the consolidated financial statements in 2021 and 2020.

Since there are losses before tax in 2021 and 2020, no estimates were made for the remuneration to employees and directors.

The information about the remuneration to employees and directors in 2022 and 2021 resolved by the Board of Directors may be viewed on the Market Observation Post System of the TWSE.

(VIII) Foreign exchange (loss) gain

	2022	2021
Total profit from translation of foreign currencies	$ 187,334	$ 72,242
Total loss from translation of foreign currencies	(154,883)	(65,253)
Net gain	$ 32,451	$ 6,989

LXVII. Income tax of continuing operations

(I) Income tax recognized in profit or loss

Major components of income tax expense (profit) are as follows:

	2022	2021
Current income tax		
Tax incurred in the year	$ 15,305	$ 14,772
Adjustments for the previous year	(5,409)	(770)
Deferred income tax		
Tax incurred in the year	2,802	51,830
Income tax expenses recognized in profit or loss	$ 12,698	$ 65,832

The adjustment of the accounting income and income tax expenses (profit) are as follows:

	2022	2021
Net profit (loss) before tax of continuing operations	$ 456,448	($ 907,889)
Income tax profit on net loss or gain before tax calculated at the statutory tax rate	$ 105,298	($ 358,555)
Expense and loss not deductible from tax	109	32,377
Non-taxable income	75,180	(10,059)
Unrecognized loss carryforwards	5,708	472,852
Unrecognized deductible temporary difference	(186,562)	(76,484)
Repatriation of earnings of subsidiaries	18,374	-
Basic tax payable difference	-	6,471
Adjustment to income tax expenses of the previous year in the period	(5,409)	(770)
Income tax expenses recognized in profit or loss	$ 12,698	$ 65,832

(II) Income tax recognized in other comprehensive income

	2022	2021
Deferred income tax		
Amounts incurred in the year		
– Translation from foreign operations	$ 1,190	$ 6,888
– Remeasurement of defined benefits plans	3,219	1,862
	$ 4,409	$ 8,750

(III) Current income tax assets and liabilities

	December 31, 2022	December 31, 2021
Current income tax assets		
Income tax refund receivable	$ 9,878	$ 1,005
Current tax liabilities		
Income tax payable	$ 4,621	$ 5,645

(IV) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2022

Deferred income tax assets	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Temporary difference				
Defined retirement benefit plan	$ 15,062	($ 63)	($ 3,219)	$ 11,780
Exchange differences from foreign operations	11,573	-	(1,190)	10,383
Others	161,792	(6,709)	-	155,083
	$ 188,427	($ 6,772)	($ 4,409)	$ 177,246

Deferred income tax liabilities	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Temporary difference				
Land incremental tax	($ 56,108)	$ -	$ -	($ 56,108)
Others	(5,840)	3,970	-	(1,870)
	($ 61,948)	$ 3,970	$ -	($ 57,978)

2021

Deferred income tax assets	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Temporary difference				
Defined retirement benefit plan	$ 17,236	($ 312)	($ 1,862)	$ 15,062
Exchange differences from foreign operations	12,872	5,589	(6,888)	11,573
Property, plant and equipment impairment loss	42,327	(42,327)	-	-
Others	172,131	(10,339)	-	161,792
	$ 244,566	($ 47,389)	($ 8,750)	$ 188,427

Deferred income tax liabilities	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Temporary difference				
Land incremental tax	($ 56,108)	$ -	$ -	($ 56,108)
Others	(1,399)	(4,441)	-	(5,840)
	($ 57,507)	($ 4,441)	$ -	($ 61,948)

(V) Amounts of deductible temporary difference of the deferred income tax assets unrecognized in consolidated balance sheet, unused loss carryforwards, and unused investment tax credits

	December 31, 2022	December 31, 2021
Loss carryforwards		
Mature in 2022	$ 61,396	$ 225,372
Mature in 2023	867,670	955,059

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	December 31, 2022	December 31, 2021
Mature in 2024	$ 321,513	$ 320,419
Mature in 2025	309,694	487,860
Mature in 2026	260,867	263,331
Mature in 2027	642,728	821,019
Mature in 2028	1,141,414	859,459
Mature in 2029	471,728	466,331
Mature in 2030	1,199,933	141,227
Mature in 2031	370,543	373,017
Mature in 2032	98,391	-
	$ 5,745,877	$ 4,913,094
Deductible temporary difference		
Inventory devaluation loss	$ 32,857	$ 27,772
Allowance for loss	76,693	75,421
Guarantee deposits paid impairment	328,341	328,341
Unrealized exchange gain	(7,044)	579
Property, plant and equipment impairment loss	852,424	915,555
Loss carryforwards	1,103,023	1,561,890
Unrealized warranty expense	2,079	6,152
Unrealized project loss	471	1,279
Others	195,231	179,394
	$ 2,584,075	$ 3,096,383

(VI) Authorization of income tax

The Group's profit-seeking business income tax filings up until 2020 have been approved by the tax authority.

LXVIII. Earnings (losses) per share

Unit: NTD per share

	2022	2021
Basic earnings (loss) per share		
From continuing operations	$ 1.91	($ 1.16)
Diluted earnings (loss) per share		
From continuing operations	$ 1.89	($ 1.16)

The net profit (loss) and the weighted average number of common stocks used for calculating earnings (loss) per share are as follows:

Current net profit (loss)

	2022	2021
Net profit (loss) used for calculation of basic earnings (loss) per share	$ 470,074	($ 287,356)
Net profit (loss) used for calculation of diluted earnings (loss) per share	$ 470,074	($ 287,356)

Number of shares	2022	Unit: thousand shares 2021
Weighted average number of common stocks used for calculation of basic earnings (loss) per share	246,751	247,226
Effect of potential diluted common stocks:		
Remuneration to employees	1,467	-
Weighted average number of common stocks used for calculation of diluted earnings (loss) per share	248,218	247,226

When the Group can select stocks or cash as the remuneration to employees, it is assumed that the employee's remuneration is paid with stocks when the diluted EPS is calculated. The weighted average outstanding common stocks are added when the potential common stocks have diluting capability to calculate the diluted EPS. The diluting capability of the potential common stocks is referenced in the next year when the Board of Directors resolved to calculate the diluted EPS prior to payment of the employee's remuneration with stocks.

LXIX. Share-based payment arrangement

(I) On May 21, 2021, the Group's Taisic Materials retained employee stock options due to a cash capital increase. Information on employee stock options already issued is as follows:

	2021	
Employee stock options	Unit (thousand)	Weighted average exercise price (NTD)
Outstanding at the beginning of the period	-	$ -
Granted this period	6,000	10
Exercised this period	(6,000)	10
Outstanding at the end of the period	-	
Exercisable at the end of the period	-	
Weighted average fair value of stock options granted this period (NTD)	$ 0.63	

In 2021, the Group recognized remuneration costs of NTD 3,780 thousand for the share-based payment agreement.

(II) 2021 capital increase by cash retained for employee stock options

The Board meeting of the Group's Tainergy held on September 3, 2021, resolved to issue 25,000 thousand shares of common stock at NTD 10 per share for a total of NTD 250,000 thousand for capital increase by cash. The date of employee stock options granted for capital increase by cash was September 7, 2021. As required by Article 267 of the Company Act, 10% was retained for employees to subscribe, totaling 2,500 thousand shares, with NTD 8,500 thousand recognized as remuneration costs.

(III) The Company's Employee Stock Option Plan

On July 4, 2022, the Board of Directors resolved to transfer treasury shares to employees at NTD 24.80 and NTD 24.02 per share, respectively. As of the date of payment of employee stock options, 1,533 thousand shares and 1,533 thousand shares were transferred, respectively for a total transfer price of NTD 74,841 thousand. The base date of employee stock options was set on July 19, 2022. The Group recognized a remuneration cost of NTD 5,600 thousand on the date of grant.

The Black-Scholes valuation model was used for the employee stock options granted by the Company in July 2022. The inputs used in the valuation model are as follows:

	July 2022
Price on grant date	NTD 24.69
Exercise price	NTD 24.80/24.02
Stock price volatility	42.70
Lifetime	0.088 years
Expected dividend rate	-
Risk-free interest rate	0.5357

In 2022, the remuneration cost recognized was NTD 5,600 thousand.

LXX. Government grants

(I) Tainergy Kunshan of the Group established factories in Kunshan Economic and Technological Development Zone (KETD) for production of solar cells in 2008. To provide preferential investment conditions, the KETD Administration Committee agreed on a one-off subsidy of NTD 155,756 thousand for construction of infrastructure in consideration of the investment of the Tainergy Kunshan and the geology of the land for which the right-of-use had been acquired. The subsidy was subject to amortization in 50 years based on the effective period of the right-of-use of the land. The Board meeting held on October 22, 2021 approved to dispose of part of the land use rights; therefore, RMB 9,939 thousand (NTD 43,176 thousand) was directly reclassified to liabilities held for disposal. As at December 31, 2022 and 2021, the balance of the amortization and reclassification was NTD 61,144 thousand (RMB 13,871 thousand) and NTD 61,914 thousand (RMB 14,253 thousand), respectively, and stated as long-term deferred income. NTD 1,683 thousand and NTD 2,812 thousand were recognized in profit in 2022 and 2021, respectively.

(II) Tainergy Kunshan of the Group acquired a one-off equipment subsidy of NTD 3,889 thousand (RMB 859 thousand) from the government in 2015, 2016 and 2017, respectively. The respective subsidy was subject to amortization in 5 to 10 years based on the useful life of the equipment. As of December 31, 2022 and 2021, the balance of the amortization was NTD 615 thousand (RMB 140 thousand) and NTD 1,083 thousand (RMB 249 thousand), respectively, and stated as long-term deferred income. NTD 485 thousand and NTD 574 thousand were recognized in profit in 2022 and 2021, respectively.

(III) On October 27, 2022, the Group's Tainergy Kunshan sold part of its land use rights and recorded a gain of NTD 44,138 thousand (RMB9,939 thousand) under long-term deferred income.

(IV) In July 2022, the Company and Taisic Materials Co. of the Group signed a Taiwan Industry Innovation Platform Counseling Project of MOEA with the Taiwan Small & Medium Enterprise Counseling Foundation (Taiwan SMECF), receiving a grant for the development of silicon carbide long crystal equipment and critical materials for the period from July 1, 2022 to June 30, 2025. In 2022, a grant of NTD 26,000 thousand was received under the Project, recognizing a grant income of NTD 15,010 thousand.

(V) The Group applied for subsidization of wage and working capital for the difficult companies in the manufacture and technical service industries affected by severe pneumonia with novel pathogens, and received a grant of NTD 18,567 thousand from the Ministry of Economic Affairs as of December 31, 2021.

(VI) The Group's Kentec applied for the "Cloud Server Human-Machine Collaboration Production Optimization Project" from the Taiwan Industry Innovation Platform Program, Ministry of Economic Affairs. Subsidies recognized for the project in 2021 totaled NTD 6,327 thousand.

LXXI. Business merger

(I) Acquisition of subsidiaries

	Main operating activities	Date of acquisition	Percentage (%) of ownership interest with voting rights /acquisition	Transfer consideration
Hua-Xia Construction	Comprehensive Construction	July 30, 2021	100	$ 30,980

(II) Transfer consideration

	Hua-Xia Construction
Cash	$ 30,980

(III) Assets acquired at the date of acquisition

	Hua-Xia Construction
Current assets	

Cash and cash equivalents	$ 1
Other receivables	18,959
Non-current assets	
Intangible assets	12,020
	$ 30,980

(IV) Net cash outflow from acquisition of subsidiaries

	Hua-Xia Construction
Consideration paid in cash	$ 30,980
Balance of cash and cash equivalents acquired	(1)
	$ 30,979

LXXII. Disposal of subsidiaries

In January 2021, as the Group did not participate in cash capital increase of Star Solar New Energy, the shareholding ratio decreased from 100% to 35.71%, losing its control over the subsidiary.

(I) Consideration received

	Star Solar New Energy
Investment disposal proceeds	
Cash and cash equivalents	$ -
Investment under the equity method	4,674
Total consolidation received	$ 4,674

(II) Analysis of assets and liabilities over which the control is lost

	Star Solar New Energy
Current assets	
Cash and cash equivalents	$ 4,024
Other receivables	15
Prepayments	103
Non-current assets	
Property, plant and equipment	166
Guarantee deposits paid	55
Current liabilities	
Other payables	(64)
Net assets lost	$ 4,299

(III) Gain on disposal of subsidiaries

	Star Solar New Energy
Consideration received	$ 4,674
Capital reserve – Recognition of changes in equity ownership in subsidiaries	(375)
Net assets disposed	(4,299)
Profit or loss from loss of control	$ -

(IV) Net cash outflow from loss of control

	Star Solar New Energy
Consideration received in cash and cash equivalents	$ -
Less: Balance of cash and cash equivalents disposed	(4,024)
	($ 4,024)

LXXIII. Equity transaction with respect to non-controlling equity

In January 2022, the Group did not increase the capital of Tainergy according to its shareholding ratio, resulting in a decrease in shareholding ratio from 27.19% to 27.17%.

In July 2021, the Company and Tainergy of the Group did not increase it shareholdings in Taisic Materials in proportion to their shareholdings, resulting in an increase in their shareholdings from 8.6% to 8.8% and a decrease in their shareholdings from 55.41% to 47.66%, respectively. Equity interest attributable to the non-controlling interest in Tainergy decreased from 40.36% to 34.71%.

In August 2022, the Group did not increase the capital of Chief Global Logistics according to its shareholding ratio, resulting in a decrease in shareholding ratio from 100% to 52%.

In January 2021, the Group's Tainergy did not increase the capital of Star Solar New Energy according to its shareholding ratio, resulting in a decrease in shareholding ratio from 100% to 35.71%.

In July 2021, the Company and Tainergy of the Group did not increase it shareholdings in Taisic Materials in proportion to their shareholdings, resulting in a decrease in their shareholdings from 10% to 8.60% and a decrease in their shareholdings from 64.4% to 55.41%, respectively. Equity interest attributable to the non-controlling interest in Tainergy decreased from 45.83% to 39.43%.

In September 2021, the Group did not increase it shareholdings in Tainergy in proportion to their shareholdings, resulting in a decrease in their shareholdings from 28.83% to 27.20%.

In December 2021, the Group disposed of shares of Tainergy Tech., resulting in a decrease in shareholding ratio from 27.20% to 27.19%.

Since these trades do not change the control of the Group over the aforementioned subsidiaries, the Group deals with them as transaction of equity.

	2022	2021
Consideration in cash paid	($ 79,400)	($ 772,321)
Consideration in cash received	1,547	1,167
Amount of book value of subsidiary's net assets to be transferred in non-controlling equity based on changes in relative equity (changes in ownership of subsidiaries)	89,230	849,395
Amount of book value of subsidiary's net assets to be transferred out from non-controlling equity based on changes in relative equity (actually acquired partial equity in subsidiaries)	68,068	(1,344)
Adjustment of other equity items attributable to the owner of the Company		

– Exchange differences on translation of financial statements of foreign operations	68	(5,586)
– Unrealized profit/loss from the financial assets measured at fair value through other comprehensive income	1	(23)
Difference in transaction of equity	$ 79,514	$ 71,288
Adjustment items of difference in transaction of equity		
Capital reserve (changes in ownership of subsidiaries)	$ 89,230	$ 5,256
Capital reserve (actually acquired partial equity in subsidiaries)	(9,716)	66,032
	$ 79,514	$ 71,288

LXXIV. Information on cash flow

(I) Non-cash transactions

In addition to those disclosed in other notes, the Group was engaged in the following non-cash investment and financing activities in 2022 and 2021:

1. The Group reclassified NTD 92,954 thousand and NTD 3,081 thousand of contract assets into property, plant and equipment in 2022 and 2021, respectively.
2. The Group reclassified NTD 34,422 thousand and NTD 14,725 thousand of prepayment for equipment into property, plant and equipment in 2022 and 2021, respectively.
3. The Group's investment receivables from financial instruments at fair value through profit or loss increased by NTD 10,909 thousand and NTD 792 thousand in 2022 and 2021, respectively.
4. The payment to be made by the Group for purchase of the property, plant and equipment increased and decreased by NTD 630 thousand and NTD 304,491 thousand, respectively, in 2022 and 2021.
5. The Group reclassified NTD 15,000 thousand prepaid investments to financial assets at fair value through profit or loss – noncurrent in 2021.
6. The Group reclassified NTD 76,175 thousand of right-of-use assets into non-current assets held for sale in 2021.
7. The Group reclassified NTD 810,137 thousand of property, plant and equipment into non-current assets held for sale and NTD 39,836 thousand into investment property in 2021.
8. The Group reclassified NTD 672,285 thousand of inventories into investment property in 2021.

(II) Changes in liabilities from financing activities

2022

	111 years			Non-cash change			111 years
	January 1	Cash flow	New lease	Lease contract modification	Disposal	Profit or loss from translation of foreign currencies	December 31
Lease liabilities	$ 351,874	($ 24,254)	$ 35,639	($ 14,604)	($ 4,288)	$ 702	$ 345,069

2021

	110 years			Non-cash change			110 years
	January 1	Cash flow	New lease	Lease contract modification	Disposal	Profit or loss from translation of foreign currencies	December 31
Lease liabilities	$ 110,881	($ 36,648)	$ 282,637	$ -	($ 6,598)	$ 1,602	$ 351,874

LXXV. Capital risk management

The Group conducts capital management to ensure the companies of the Group can keep operating while maximizing shareholders' return by optimizing the liability and equity balances. The overall strategy of the Group is currently not changed.

The capital structure of the Group is comprised of their net liabilities (i.e.. loans minus cash and cash equivalents) and shareholders' equity (i.e. capital stock, capital reserves, retained earnings, other equities, and non-controlling equity).

The Group did not need to adhere to external capital requirements.

The key management of the Group conducts monthly review of the Group's capital structure, including the cost of capital and relevant risks. Observing the suggestions of the key management, the consolidate companies balance the overall capital structure by paying dividends, issuing new stocks, repurchasing stocks, and issuing new corporate bonds, or repaying existing liabilities.

LXXVI. Financial instruments

(I) Fair value information – financial instruments not measured at fair value

As of December 31, 2022 and 2021, the Group did not have any financial assets and liabilities having major differences between book and fair values.

(II) Fair value information – financial instruments measured at fair value on a repetitive basis

1. Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Overseas listed (OTC) stocks	$ 10,815	$ -	$ -	$ 10,815
Domestic non-listed (non-OTC) stocks	-	-	86,436	86,436
Fund beneficiary certificate	300,180	-	-	300,180
Floating-rate financial commodity	-	273,737	-	273,737
Total	$ 310,995	$ 273,737	$ 86,436	$ 671,168
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments				
– Domestic non-listed (non-OTC) stocks	$ -	$ -	$ 38,368	$ 38,368

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Overseas listed (OTC) stocks	$ 31,061	$ -	$ -	$ 31,061
Domestic non-listed (non-OTC) stocks	-	-	74,100	74,100
Fund beneficiary certificate	380,110	-	-	380,110
Floating-rate financial commodity	-	241,309	-	241,309
Total	$ 411,171	$ 241,309	$ 74,100	$ 726,580
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments				
– Domestic non-listed (non-OTC) stocks	$ -	$ -	$ 35,805	$ 35,805

There were no transfers of fair value measurements between Level 1 and Level 2 in 2022 and 2021.

2. Adjustments to the financial instruments measured at Level 3 fair value

2022

	Measurement at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	
Financial assets	Equity instruments	Equity instruments	Total
Balance – beginning of the year	$ 74,100	$ 35,805	$ 109,905
Purchase	-	7,959	7,959
Recognition in profit or loss (other profits and losses)	12,336	-	12,336
Recognized under other comprehensive income (Unrealized profit/loss on valuation of financial assets measured at fair value through other comprehensive income)	-	(5,396)	(5,396)
Balance – ending of the year	$ 86,436	$ 38,368	$ 124,804

2021

Financial assets	Measurement at fair value through profit or loss Equity instruments	Financial assets measured at fair value through other comprehensive income Equity instruments	Total
Balance – beginning of the year	$ 44,141	$ 28,145	$ 72,286
Reclassification (Note 36)	15,000	-	15,000
Recognition in profit or loss (other profits and losses)	14,959	-	14,959
Recognized under other comprehensive income (Unrealized profit/loss on valuation of financial assets measured at fair value through other comprehensive income)	-	7,660	7,660
Balance – ending of the year	$ 74,100	$ 35,805	$ 109,905

3. Evaluation technology and inputs of Level 2 fair value measurement

Class of financial instruments	Evaluation technology and inputs
Floating-rate financial products	Cash flow discounting method: With this method, the cash flow in the future is estimated based on the observable forward interest rate at the end of the period and the interest rate specified in the contract, and the discount is determined with reference to the discount rate reflecting the credit risk of the counterparty.

4. Evaluation technology and inputs of Level 3 fair value measurement

The fair value of non-listed (non-OTC) equity instruments is estimated based on the analysis of the financial status and operating outcome of the investee, the latest transaction price, the quotation of the same equity instruments on active markets, the quotation of similar instruments on active markets, comparable company valuation multiples, and other assumptions that cannot be supported by the observable market price or interest rate. The significant unobservable inputs are as follows. The fair value of the investment increases when the long-term revenue growth rate and pre-tax operating margin increase.

(III) Type of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Measurement at fair value through profit or loss		
Mandatory measurement at fair value through profit or loss	$ 671,168	$ 726,580
Financial assets measured at amortized cost (Note 1)	3,525,776	2,719,091
Financial assets measured at fair value through other comprehensive income		
Investment in equity instruments	38,368	35,805
Financial liabilities		
Measurement at amortized cost (Note 2)	2,579,669	2,516,078

Note 1: The balance includes financial assets measured at amortized cost such as cash and cash equivalents, investment in liability instruments, notes and accounts receivable, other receivables, guarantee deposits paid and other financial assets. This balance includes the balance of assets transferred to the disposal group held for sale.

Note 2: The balance includes financial liabilities measured at amortized cost such as short-term loans, notes and accounts payable, other payables, long-term liabilities mature within one year, guarantee deposits received, long-term loans, and other financial liabilities. This balance includes the balance of liabilities transferred to the disposal group held for sale.

(IV) Financial risk management purpose and policy

The Group's main financial instruments include investments in equity and liability instruments, accounts receivable, accounts payable, borrowings, and lease liabilities. The Group's financial management department is responsible for provision of services for business units, planning and coordination of investments in domestic and international financial markets, analysis of internal risk exposure based on the risk level and scope, and reporting, supervision, and management of the financial risks related to the Group's operations. The said risks include the market risk (such as exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk.

The Group uses derivative financial instruments to avoid risk exposure and mitigate the impact of such risks. Derivative financial instruments are subject to the policies adopted at the meeting of the Board of Directors of the Group. These policies include the exchange rate risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and the written current funds investment principle. Internal reviewers review the compliance of the policies and the exposure limits on an ongoing basis. The Group does not conduct transactions of financial instruments (including derivative financial instruments) for speculation purposes.

The finance management department reports to the Risk Management Committee of the Group every quarter. The Committee is an independent organization dedicated to monitoring risks and implementing policies to mitigate risk exposure.

1. Market risk

The major financial risks that the operating activities imposed on the Group are exchange rate fluctuation risk (see (1) below), interest rate fluctuation risk (see (2) below), and other price risks (see (3) below). The Group is engaged in various derivative financial instruments to manage the imposed foreign exchange rate and interest rate risk, including:

A. Forward exchange contracts or exchange rate options for avoidance of the exchange rate risk due to difference of currencies in collection, payment, and purchase of (raw) materials;

B. Maintenance of an adequate portfolio of fixed and variable interest rates to mitigate the fluctuation risk of cash flow and fair value.

The Group does not change the risk exposure on the financial instrument market or the methods for management and measurement of such exposure.

(1) Exchange rate risk

The Group is engaged in sales and purchases transactions in foreign currency. These transactions expose the Group to the exchange rate fluctuation risk. About 54% of the sales amount of the Group is not valuated with the functional currency of the Group's individual entities engaging in the transactions. About 69% of the cost amount is not valuated with the functional currency of the Group's individual entities engaging in the transactions. The Group uses forward foreign exchange contracts or exchange rate options to manage the exchange rate risk within the policies.

Refer to Note 43 for the book value of the monetary assets and liabilities of the Group valued with non-functional currencies on the balance sheet date (including the monetary items valued with non-functional currencies and written off on the consolidated financial statements) and the book value of the derivative instruments exposed to exchange rate risk.

(2) Sensitivity analysis

The Group is affected primarily by the fluctuation in the exchange rate of USD and RMB.

The sensitivity analysis of the Group in the exchange rate of NTD (functional currency) to any related foreign currencies increasing or decreasing by 3% is described in the following table. This 3% is the sensitivity ratio used by the Group when reporting the exchange rate risk to the key management. It also indicates the assessment of management on the reasonable potential fluctuation of the exchange rate. The sensitivity analysis only included the outstanding foreign currency items. The translation thereof at the end of the year is adjusted by an increase or decrease of 3% in the exchange rate. The sensitivity analysis includes the loans that are not valued with the functional currency of the creditor or borrower. The positive numbers in the table below represent the increase in net income or decrease in net loss after income taxes or equity that would result from a 3% weakening of the New Taiwan dollar relative to the respective currencies. A 3% appreciation of the New Taiwan dollar against the respective currencies would have a negative impact on net profit or loss after tax or equity for the same amount.

	Effect of USD		Effect of RMB	
	2022	2021	2022	2021
Profit or loss	$ 18,098 (i)	$ 568 (i)	$ 8,230 (i)	$ 9,640 (i)

(i) The profit or loss was mainly generated from the Group's accounts receivable, accounts payable and loan valued in USD and RMB which were outstanding on the balance sheet date and were not hedged against the cash-flow risk.

The sensitivity of the Group to USD exchange rate increased this year because the accounts payable in USD decreased; the sensitivity to RMB exchange rate decreased because of the reduced accounts receivable in RMB. Management found that the sensitivity analysis could not represent the inherent risk of the exchange rate, as the foreign currency risk exposure on the balance sheet date could not reflect the exposure in the year.

(3) Interest rate risk

The interest rate risk exposure occurred as the Group's entities borrowed funds at the floating rates at the same time. The Group maintains an adequate portfolio of fixed interest rate to manage the interest rate risk. The Group assesses hedging activities on a regular basis to keep consistent in their opinions on interest rate and their given risk preference to ensure adoption of most cost-efficient hedging strategies.

The book value of the financial assets and liabilities of the Group exposed to the interest rate risk on the balance sheet date are as follows:

	December 31, 2022	December 31, 2021
With fair value interest rate risk		
– Financial assets	$ 381,798	$ 353,809
– Financial liabilities	345,069	351,874
With cash flow interest rate risk		
– Financial assets	2,459,707	1,641,571
– Financial liabilities	1,356,375	1,474,536

The Group is exposed to cash flow interest rate risk due to holding bank loans at variable interest rate. This conforms to the policy of the Group to reduce the interest rate fair value risk by maintaining the loans at floating interest rate. The cash flow interest rate risk of the Group is primarily due to the fluctuated benchmark interest rate of the loans valued in NTD.

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure of the derivative instruments and non-derivative instruments on the balance sheet date. As for the liabilities at floating interest rate, the analysis is made with the assumption that the outstanding liability amount on the balance sheet date is completely in circulation during the reporting period. The variable interest rate used by the Group when reporting the interest rate to the key management is the interest rate plus or minus 1%. It also indicates the assessment of management on the reasonable potential fluctuation of the interest rate.

If interest rates increase/decrease by 1%, with all other variables maintained the same, the Group's net income (loss) for 2022 and 2021 would increase/decrease by NTD 8,827 thousand and decrease/increase by NTD 1,336 thousand, respectively, mainly due to the exposure to interest rate risk of the Group's variable-rate bank deposits.

(4) Other price risks

The Group sustains exposure to equity securities price risk due to investment in publicly offered equity securities and beneficiary certificates. The Group's management manages risk by holding different risk investment portfolios. The Group designates responsible teams to monitor the price risk and assess when the hedging position shall be increased for the risk.

Sensitivity analysis

The following sensitivity analysis is based on the equity price risk exposure on the balance sheet date.

If the equity price increased/decreased by 3%, the profit or loss after tax in 2022 and 2021 increased/decreased by NTD 2,918 thousand and NTD 3,155 thousand, respectively, due to increases/decreases of the fair value of the financial assets measured at fair value through profit or loss. Other comprehensive income after tax in 2022 and 201 increased/decreased by NTD 1,151 thousand and NTD 1,074 thousand, respectively, due to changes in the fair value of the financial assets measured at fair value through other comprehensive income.

The sensitivity of the Group to the price risk increased/decreased in the current period due to an increase/decrease in the investment in equity securities.

2. Credit risk

The credit risk refers to the risk in the financial loss of the Group due to the counterparty delays in the fulfillment of the contractual obligations. Up to the balance sheet date, the Group's potential highest credit risk exposure due to failure of the counterparty to fulfill its obligations and the financial loss brought about by the financial guarantee that the Group provided was mainly derived from the book value of the financial assets recognized in the consolidated balance sheet.

According to the policy, the Group only trades the counterparties that are rated equivalent to the investment level or higher in brand awareness. Full guarantees are required if necessary to reduce the risk of financial losses due to default. In addition, the Group rates customers with reference to open financial information as well as mutual trading records. The Group monitors the credit risk exposure and the credit rating of the counterparties on an ongoing basis. The account of the customers is checked before the shipment to make sure there is no overdue payment and how the collection status is in the recent period, and the internal personnel of the Group supervises the release in order to minimize the potential credit risk. In addition, the Group reviews the recoverable amount of accounts receivable separately on the balance sheet date to make sure that the appropriate impairment loss of the accounts receivable that cannot be recovered is recognized. As a result, the management of the Group finds that the credit risk of the Group is reduced significantly.

Receivables are to be collected from many customers. They belong to different industries and are located in different geographic areas. The Group continuously assesses the financial status of the customers from which receivables shall be recovered.

3. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support the Group's business operation and reduce the effect of the fluctuating cash flow. The management of the Group monitors the use of financing facility and ensures compliance with the terms of the loan contract.

For the Group, bank loans are one of the important sources of liquidity. For the financing facility that the Group has not used, refer to relevant descriptions in (2) below.

(1) Liquidity and interest rate risks of non-derivative financial liabilities

The remaining contractual maturity analysis of the non-derivative financial liabilities is compiled based on the earliest repayment date required to the Group and the non-discounted cash flow of the financial liabilities (including the principal and estimated interest). Hence, the bank loan which the Group may be requested to repay immediately is listed in the earliest period on the table without consideration of the possibility of the bank to exercise this right immediately; the maturity analysis of other non-derivative financial liabilities is compiled based on the agreed repayment date.

For the cash flow of the interest paid at floating rate, the non-discounted interest amount is derived from the yield curve on the balance sheet date.

December 31, 2022

	Weighted average effective interest rate (%)	Less than 1 year	1-3 years	4-5 years	Over 5 years
Non-derivative financial liability					
Non-interest-bearing liabilities					
Notes payable		$ 1,348	$ -	$ -	$ -
Accounts payable		646,325	-	-	-
Other payables		541,085	-	-	-
Guarantee deposits received		34,536	-	-	-
Floating interest rate instruments					
Short-term loans	4.66	349,245	-	-	-
Long-term loans	2.18	118,533	590,483	118,177	256,161
Lease liabilities		29,364	48,159	40,726	263,849
		$ 1,720,436	$ 638,642	$ 158,903	$ 520,010

More information on the maturity analysis of lease liabilities:

	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years
Lease liabilities	$ 29,364	$ 88,885	$101,816	$101,413	$ 52,264	$ 6,356

December 31, 2021

	Weighted average effective interest rate (%)	Less than 1 year	1-3 years	4-5 years	Over 5 years
Non-derivative financial liability					
Non-interest-bearing liabilities					
Notes payable		$ 11,396	$ -	$ -	$ -
Accounts payable		562,027	-	-	-
Other payables		421,071	-	-	-
Guarantee deposits received		38,485	-	-	-
Floating interest rate instruments					
Short-term loans	2.69	451,913	-	-	-
Long-term loans	2.40	246,669	309,402	242,709	306,949
Lease liabilities		28,291	63,535	54,094	288,905
		$ 1,759,852	$ 372,937	$ 296,803	$ 595,854

More information on the maturity analysis of lease liabilities:

	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years
Lease liabilities	$ 28,291	$117,629	$105,986	$105,886	$ 58,514	$ 18,519

(2) Financing facility

	December 31, 2022	December 31, 2021
Unsecured bank loan limit (reviewed every year)		
– Employed capital	$ 153,407	$ 175,893
– Unemployed capital	778,514	743,600
	$ 931,921	$ 919,493
Secured bank loan limit (extension possible under mutual agreement)		
– Employed capital	$ 2,299,356	$ 1,211,420
– Unemployed capital	1,290,718	756,850
	$ 3,590,074	$ 1,968,270
Secured other loan limit		
– Employed capital	$ -	$ 27,860
– Unemployed capital	-	-
	$ -	$ 27,860
Unsecured other loans		
– Employed capital	$ -	$ 149,433
– Unemployed capital	50,000	30,000
	$ 50,000	$ 179,433

LXXVII.Related party transaction

Since all the transactions, account balances, profits and expenses/losses between the Company and the subsidiaries (namely, the Company's related parties) were removed after the merger, they were not disclosed in the Note. In addition to those disclosed in other notes, transactions between the Group and other related parties are described as follows:

(I) Names of related parties and their relationship with the Group

Name of Related Party	Relationship with the Group
KENTEC ELECTRONICS (SUZHOU) CO., LTD.	Associate
Star Solar New Energy Co., Ltd.	Associate
Qie-Yi Co., Ltd.	De facto related party
Long-Zi Co., Ltd.	De facto related party
CHING-FU HSIEH	The Company's Chairman

(II) Operating revenue

Account Title	Type of Related Party	2022	2021
Sales revenue	Associate	$ 63,106	$ 3,349

There is no significant difference from the Company's other customers in the trading conditions and credit period applicable to the sale of goods between the Group and related parties.

(III) Purchase

Type of Related Party	2022	2021
Associate	$ 4,837	$ 61,130

There is no significant difference from the Company's other suppliers in the trading conditions and credit period applicable to the purchase of goods between the Group and related parties.

(IV) Accounts receivable from related parties

Account Title	Type of Related Party	December 31, 2022	December 31, 2021
Notes receivable	KENTEC ELECTRONICS (SUZHOU) CO., LTD.	$ 61,718	$ -
Accounts receivable	KENTEC ELECTRONICS (SUZHOU) CO., LTD.	$ 13,104	$ 2,702
Other receivables	KENTEC ELECTRONICS (SUZHOU) CO., LTD.	$ 4,822	$ 12,329
	Star Solar New Energy Co., Ltd.	22	12
		$ 4,844	$ 12,341

No guarantee was requested for the outstanding accounts receivable from related parties. No loss allowance was set aside for the accounts receivable from related parties in 2022 and 2021.

(V) Payables to related parties

Account Title	Type of Related Party	December 31, 2022	December 31, 2021
Accounts payable	KENTEC ELECTRONICS (SUZHOU) CO., LTD.	$ 2,129	$ 34,479
	Star Solar New Energy Co., Ltd.	-	42
		$ 2,129	$ 34,521
Other payables	KENTEC ELECTRONICS (SUZHOU) CO., LTD.	$ 2,184	$ 4,529
	Star Solar New Energy Co., Ltd.	1,571	3,262
		$ 3,755	$ 7,791

The outstanding balance of the accounts payable to related parties was not guaranteed.

(VI) Acquisition of property, plants, and equipment

Type/Name of Related Party	Acquisition Price 2022	Acquisition Price 2021
Associate	$ 1,828	$ -

(VII) Disposal of property, plants and equipment

Type/Name of Related Party	Disposal proceeds 2022	Disposal proceeds 2021	Disposal Profit (Loss) 2022	Disposal Profit (Loss) 2021
Associate	$ -	$ 15,268	$ -	$ 1,345

(VIII) Lease agreement

Type of Related Party	2022	2021
Interest expenses		
De facto related party	$ -	$ 44

2022

Type of Related Party	Premises	Lease Period	Determination of Rent	Monthly Rental
De facto related party	No. 21, Xindu Rd., Qianzhen Dist., Kaohsiung City	2021.12.31-2022.12.30	Negotiation	$ 196
De facto related party	No. 12, Xinda Rd., Qianzhen Dist., Kaohsiung City	2021.12.31-2022.12.30	Negotiation	186

2021

Type of Related Party	Premises	Lease Period	Determination of Rent	Monthly Rental
De facto related party	No. 21, Xindu Rd., Qianzhen Dist., Kaohsiung City	2018.12.31-2021.12.30	Negotiation	$ 196
De facto related party	No. 12, Xinda Rd., Qianzhen Dist., Kaohsiung City	2018.12.31-2021.12.30	Negotiation	186

(IX) Loans to related parties

Type/Name of Related Party	December 31, 2022	December 31, 2021
Associate		
KENTEC ELECTRONICS (SUZHOU) CO., LTD.	$ 65,000	$ 26,040

The Group's loaning of funds are all unsecured loans with interest rates similar to market rates. These loans are expected to be collected within one year. After evaluation, there are no expected credit losses.

(X) Endorsements/guarantees

Acquisition of endorsements/guarantees

Type/Name of Related Party	December 31, 2022	December 31, 2021
The Company's Chairman		
CHING-FU HSIEH		
Amount guaranteed	$ 941,328	$ 2,396,252

(XI) Related party transactions

Others

	Type/Name of Related Party	2022	2021
Manufacturing expense – repair expense	Associate	$ 5,698	$ 5,193
Manufacturing expense – processing cost	Associate	$ 27,843	$ 39,024
Repair cost	Associate	$ 3,468	$ 6,823
Manufacturing expense – others	Associate	$ 636	$ -
Other revenue	Associate	$ 16	$ -

(XII) Remuneration to key management

	2022	2021
Short-term employee benefits	$ 187,329	$ 44,607
Retirement benefits	729	850
Share-based Payment	636	5,246
	$ 188,694	$ 50,703

The remuneration to the directors and key management was decided by the Remuneration Committee subject to personal performance and market trend.

LXXVIII. Pledged and mortgaged assets

The following assets were provided as collaterals for bank loans, purchase or import of equipment, litigation, and performance bond under construction contracts. The details are as follows:

	December 31, 2022	December 31, 2021
Pledged C/D (stated as financial assets measured at amortized cost – current)	$ 62,687	$ 260,260
Pledged C/D (stated as other financial assets – current)	4,408	17,000
Floating-rate financial commodity (financial assets at fair value through profit or loss – current)	-	130,320
Other financial assets – current	202,785	121,921
Property, plant and equipment		
Land and land improvement	865,945	908,463
House and building	164,005	379,291
Machinery and equipment	194,304	325,779

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(Continued from previous page)

	December 31, 2022	December 31, 2021
Non-current assets held for sale		
Guarantee deposits paid	$ -	$ 8,449
House and building	-	551,110
Right-of-use assets	-	53,233
Investment property	411,222	416,800
Guarantee deposits paid	44,171	63,138
Pledged C/D (stated as financial assets measured at amortized cost – non-current)	76,609	39,803
Right-of-use of land (Stated as right-of-use assets)	75,385	76,335
Other financial assets – Non-current	149,219	182,398
	$ 2,250,740	$ 3,534,300

LXXIX. Significant contingent liability and unrecognized contractual commitment

In addition to those described in other notes, the Group's significant commitments and contingencies on the balance sheet date are as follows:

(I) Significant commitments

1. The amount under the letters of guarantee that the Group authorized banks to issue for performance of construction contracts or warranty of works and the balance of the unused letters of credit are as follows:

	December 31, 2022	December 31, 2021
Issuance of letters of guarantee		
NTD	$ 1,065,626	$ 890,270
USD	-	7,038
Unused opened letter of credit		
JPY	10,700	-

2. The total price of the contract entered into by Tainergy of the Group for completion and purchase of unfinished construction and equipment and the amount unpaid are as follows:

	December 31, 2022	December 31, 2021
Purchase of unfinished construction and equipment		
Total contract price	$ 131,265	$ 88,830
Amount paid	(54,081)	(40,415)
Amount unpaid	$ 77,184	$ 48,415

3. As of December 31, 2022 and 2021, the amount of the guarantee notes issued by the Group's Tainergy for loans was NTD 85,000 thousand and NTD 300,000

thousand, respectively. As for the amount of the endorsement/guarantee provided for loans, please refer to Table 2 in Note 44.

(II) Contingency

1. Material purchase agreement between Tainergy of the Group and SunEdison Products Singapore Pte, Ltd. (the former MEMC Singapore Pte, Ltd.; hereinafter referred to as SunEdison)

<u>Material purchase agreement</u>

Tainergy of the Group entered into a material purchase agreement with SunEdision on July 9, 2008. According to the agreement, the Group should purchase solar wafers no less than USD 3.4 billion from SunEdison from September 1, 2008 to August 31, 2018, and should provide a performance bond amount to about USD 10,500 thousand to 66,500 thousand (about NTD 332,455 thousand to 2,042,215 thousand) every year during the period of the agreement.

Due to the fluctuation of the solar cell material, Tainergy of the Group did not purchase to the minimum quantity as agreed. A supplementary agreement was entered into with SunEdision on March 29, 2013 in which a common consensus was reached and the parties agreed to maintain their collaboration relation. According to the supplementary agreement, compensation for failure to purchase to the minimum quantity was deducted from the performance bond that Tainergy of the Group had paid. For this, the Group recognized a loss on guarantee deposits paid amounting to NTD 760,763 thousand in 2012 and set aside the unamortized balance of non-returnable deposits paid to the amount of NTD 59,551 thousand as impairment loss under the title of other non-current liabilities – others. The total amount was consequently NTD 820,314 thousand.

<u>SunEdison's application for reorganization</u>

SunEdision announced its application for reorganization procedures on April 21, 2016 (American time). Tainergy of the Group discussed with the counsels and comprehensively assessed the possibility of recovery based on SunEdison's debt restructuring plan and creditor meeting notice in June 2017. After deduction of an advance sales receipts of NTD 1,063 thousand (net) from related other receivables of NTD 20,854 thousand and guarantee deposits paid amounting to NTD 288,009 thousand, an impairment loss of NTD 307,800 thousand was set aside in Q2 of 2017.

As of December 31, 2022 and 2021, the balance of the guarantee deposits paid that Tainergy of the Group recognized was NTD 0.

2. The silicon wafer purchase agreement between Tainergy of the Group and Sino-American Silicon Products Inc. (hereinafter referred to as Sino-American Silicon)

<u>Commitment to material purchase agreement</u>

Tainergy of the Group entered into a material purchase agreement with Sino-American Silicon in September 2007. The parties agreed on an annual purchase of solar wafers to the quantity, at the price, and amounting to no less than USD 44,388 thousand and EUR 85,518 thousand as specified in the agreement from January 1, 2008 to December 31, 2010 and from January 1, 2009 to December 31, 2019, respectively. The prepayments were not returnable and the supplier guaranteed to supply the material to the agreed quantity. Tainergy of the Group prepaid for purchase of the material by installments to the amount of EUR 7,470 thousand during the period specified in the agreement.

<u>Renewal of the agreement</u>

Tainergy of the Group and Sino-American Silicon agreed to perform the agreement continuously in accordance with the terms and conditions specified therein up to December 31, 2020 (included) If the fulfillment of the agreement is difficult for the parties due to changes in the market supply and demand, the parties agreed to discuss the performance of the agreement. Currently, the parties are willing to continue the fulfillment of the agreement.

As of December 31, 2022 and 2021, the Group's Tainergy made an assessment and found that the cost for fulfillment of the agreement would be higher than the anticipated economic benefit from the agreement, and thus set aside an accumulated loss of NTD 164,930 thousand and NTD 166,969 thousand, respectively. As of December 31, 2022 and 2021, the balance of the prepayments that the Group's Tainergy has made and against which goods were not delivered yet was both recognized to the amount of NTD 0.

3. Tainergy Technology (Kunshan) Co., Ltd., a subsidiary of the Group, entered into an agreement with a local assets management company for construction of a new factory building based on the right-of-use of the land that the Group had in Mainland China. the Group did not have to pay any money or fee to the assets management company for the construction project. After the construction of the factory building was completed, the Group agreed to establish a new subsidiary with cash and the fixed price of the surface building. The asset management company originally planned to purchase all the shares of the new subsidiary after it acquired the real estate ownership certificate. However, due to a change in the transaction mode resolved by the Board of Directors on October 22, 2021, the Company directly disposed of the land use right and the ground building. The transaction counterparty was the newly established subsidiary of the asset management company. The transaction price was the same as the original agreement.

The Group's accounts related to this transaction are as follows:

	December 31, 2022	December 31, 2021
Receipts in advance from disposal of assets (recorded as other receipts in advance)	$ -	$ 823,453
Property, plant and equipment held for disposal (recorded as non-current assets held for sale)	$ -	$ 551,110
Right-of-use assets held for disposal (recorded as non-current assets held for sale)	-	53,233
Guarantee deposits paid on collection and payment of related expenses for others (recorded as non-current assets held for sale)	-	8,449
	$ -	$ 612,792
Other payables on related expenses for others (recorded as liabilities directly related to non-current assets held for sale)	$ -	$ 8,563
Deferred income from government subsidies related to assets held for disposal (recorded as liabilities directly related to non-current assets held for sale)	-	43,176
	$ -	$ 51,739

On October 27, 2022, the Group's Tainergy Kunshan completed the transfer of the building and construction and right-of-use assets with Kunshan Changshunhong Energy Technology Co., Ltd. A gain of NTD 146,853 thousand (RMB33,143 thousand) from the disposal was recognized.

4. In March 2022, Mr. Chun-Ming Chen filed a lawsuit against the Company at the Civil Court of Shilin District Court, Keelung, claiming that the Company should repay a sum of RMB 15,000 thousand. A hearing was yet to be held as of March 28, 2023. The Company claimed that it did not borrow funds from Chun-Ming Chen. After evaluation, the lawsuit should not have a material impact on the Company's financial and business affairs. Additionally, based on the letter replied by a professional law firm, it is difficult to support the idea that the Company has borrowed funds from Mr. Chen based on the evidence provided by him.

LXXX. Significant subsequent events: None

LXXXI. Information on foreign currency assets and liabilities with significant effect

The following information is summarized and stated based on the foreign currencies other than the functional currency of the Group's individual entities. The disclosed exchange rate represents the exchange rate of such foreign currency to the functional currency. Information on foreign currency assets and liabilities with significant effect is as follows:

December 31, 2022

	Foreign currency (thousand)	Exchange rate		Book value
Foreign currency assets				
Monetary items				
USD	$ 37,035	30.71	(USD : NTD)	$ 1,137,367
USD	8,239	23,806	(USD : VND)	253,023
VND	1,806,684	0.0013	(VND : NTD)	2,330
JPY	23,789	0.2324	(JPY : NTD)	5,528
EUR	165	32.72	(EUR : NTD)	5,406
RMB	85,261	4.408	(RMB : NTD)	375,829
				$ 1,779,483
Non-monetary items				
VND	8,383,542	0.00129	(VND : NTD)	$ 10,815
Foreign liabilities				
Monetary items				
USD	14,998	30.71	(USD : NTD)	$ 460,597
USD	126	6.9646	(USD : RMB)	3,881
USD	5,595	23,806	(USD : VND)	171,808
JPY	35,760	0.2324	(JPY : NTD)	8,311
EUR	2,047	32,72	(EUR : NTD)	66,969
RMB	7,462	4,408	(RMB : NTD)	32,892
				$ 744,458

December 31, 2021

Foreign currency assets	Foreign currency (thousand)	Exchange rate		Book value
Monetary items				
USD	$ 34,465	27.68	(USD : NTD)	$ 953,994
USD	900	6.3674	(USD : RMB)	24,894
USD	6,288	23,067	(USD : VND)	174,055
VND	1,706,420	0.0012	(VND : NTD)	2,047
JPY	9,892	0.2405	(JPY : NTD)	2,380
EUR	$ 103	31.32	(EUR : NTD)	$ 3,238
RMB	96,403	4.344	(RMB : NTD)	418,777
				$ 1,579,385
Non-monetary items				
VND	25,884,155	0.0012	(VND : NTD)	$ 31,061
Foreign liabilities				
Monetary items				
USD	6,168	27.68	(USD : NTD)	$ 170,746
USD	20,727	6.3674	(USD : RMB)	573,663
USD	13,905	23,067	(USD : VND)	384,886
JPY	15,734	0.2405	(JPY : NTD)	3,784
EUR	330	31.32	(EUR : NTD)	10,344
RMB	3,939	4.344	(RMB : NTD)	17,111
				$ 1,160,534

The profit and loss from translation of foreign currency (including realized and unrealized) in 2022 and 2021 was NTD 32,451 thousand and NTD 6,989 thousand, respectively. However, it is not feasible to disclose the exchange loss and gain of each significant foreign currency because of the numerous functional currencies used by each entity of the Group and in foreign currency transactions.

LXXXII. Disclosures of notes

(I) Major transaction matters:

1. Loans to others. (Table 1)
2. Endorsements/guarantees for others. (Table 2)
3. Securities – ending (excluding the equity in invested subsidiaries, associates and joint ventures). (Table 3)
4. Aggregate purchases or sales of the same securities reaching NTD 300 million or more than 20% of the paid-in capital. (Table 4)
5. Acquisition of real estate reaching NTD 300 million or more than 20% of the paid-in capital. (None)
6. Disposal of property reaching NTD 300 million or more than 20% of the paid-in capital. (Table 5)
7. Purchases or sales of goods from and to related parties reaching NTD 100 million or more than 20% of the paid-in capital. (Table 6)
8. Accounts receivable from related parties reaching NTD 100 million or more than 20% of the paid-in capital. (Table 7)
9. Trading in derivative instruments. (None)
10. Others: The business relationship and important transactions between the parent company and its subsidiaries, and between subsidiaries. (Table 8)

(II) Information about investees. (Table 9)

(III) Information on investments in Mainland China:

1. Information about investees in Mainland China, such as the name, main business operations, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment profit/loss, investment book value at the end of the period, profit or loss received from investments, and limit on the amount of investment in Mainland China. (Table 9)
2. Any of the following significant transactions with investees in Mainland China, either directly or indirectly through a third area, and their prices, payment conditions, and unrealized profit/loss: (Table 10)
   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
   (3) The amount of property transactions and the amount of resulting profits or losses.
   (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
   (5) The highest balance, the end-of-period balance, the interest rate range, and total current interest with respect to financing of funds.
   (6) Other transactions that have a material effect on the profit or loss of the period or on the financial position, such as the rendering or receiving of services.

(IV) Information on major shareholders: The name, shareholding, and shareholding ratio of the shareholders with an equity ratio of 5% or more. (Table 11)

LXXXIII. Segment information

(I) Basic information on operating segments

1. Classification of operating segments

   The information was provided for the chief operating decision maker to distribute resources and evaluate the performance of each department. It focused on the type of each batch of products or services delivered or provided. The reportable segments of the Group are as follows:

   (1) Automation segment

   Responsible for automated flow line equipment and supporting equipment for T.F.T. process equipment, semiconductor process equipment, industrial conveying machinery, and automated storage equipment; parking tower and mechanical parking equipment, incinerator and other environmental facilities; electronic anti-static products; production, sale, installation, and lease of window-cleaning equipment and hanging platforms.

   (2) Manufacture of solar power system, parts and components

   Responsible for manufacture of power generation, transmission and distribution equipment as well as cable and wireless communication machines and devices.

   (3) Electronic parts and components segment

   Responsible for manufacture of electronics parts and components

   (4) Other segments

Responsible for the business of solar water heater and real estate business.

2. Principles in measurement of operation segment's profits, losses, assets and liabilities

The accounting policy of the operating segments is the same as the important accounting policies stated in Note 4. The profit or loss of the Group's operating segments is measured based on the operating profit or loss controllable to the segment manager. It is used as a basis for evaluation of management performance. Debts are allocated in consideration of the capital cost and movement of funds of the Group as a whole. Since debts are not controllable separately to the manager of each operating segment, they are not used as a basis for evaluation of the management's performance.

(II) Segment revenue and operating result

The revenue and operation outcome of the Group's continuing operations are analyzed by reportable segment as follows:

	2022					
	Automation 1	Automation 2	Solar power system, parts and components	Electronic parts and components	Others (Vietnam, Fraternity, Fuqing, Kenmec Property, Aptos Technology, Hua-Xia, Automation)	Total
Revenue from external customers	$ 2,119,408	$ 460,784	$ 2,221,436	$ 519,897	$ 37,683	$ 5,359,208
Inter-segment income	205,526	275,927	-	65,340	2,795	549,588
Segment income	2,324,934	736,711	2,221,436	585,237	40,478	5,908,796
Internal write-off	(205,526)	(275,927)	-	(65,340)	(2,795)	(549,588)
Consolidated revenue	$ 2,119,408	$ 460,784	$ 2,221,436	$ 519,897	$ 37,683	$ 5,359,208
segment profit or loss	$ 372,318	($ 206,078)	($ 119,220)	$ 83,893	$ 14,248	$ 145,161
Dividend revenue						2,097
Profit on disposal of property, plants and equipment						63,224
Disposal of investment property benefits						49,766
Disposal of gains in right-of-use assets						37,509
Gains on disposal of non-current assets held for sale						146,853
Share of profit/loss of associates under the equity method						15,826
Profit or loss on valuation of financial assets measured at fair value through profit or loss						(3,988)
Profit before tax						$ 456,448

	2021					
	Automation 1	Automation 2	Solar power system, parts and components	Electronic parts and components	Others (Vietnam, Fraternity, Fuqing, Kenmec Property, Aptos Technology, Hua-Xia, Automation)	Total
Revenue from external customers	$ 1,228,454	$ 573,720	$ 1,584,431	$ 653,024	$ 149	$ 4,039,778
Inter-segment income	56	66,716	-	-	3,545	70,317
Segment income	1,228,510	640,436	1,584,431	653,024	3,694	4,110,095
Internal write-off	(56)	(66,716)	-	-	(3,545)	(70,317)
Consolidated revenue	$ 1,228,454	$ 573,720	$ 1,584,431	$ 653,024	$ 149	$ 4,039,778
segment profit or loss	$ 8,793	($ 153,578)	($ 839,522)	($ 9,231)	($ 27,378)	($ 1,020,916)
Dividend revenue						1,955
Profit on disposal of property, plants and equipment						3,823
Disposal of investment property benefits						57,788
Share of profit/loss of associates under the equity method						288

Profit or loss on valuation of financial assets measured at fair value through profit or loss	49,173
Net loss before tax	($ 907,889)

The segment profit or loss is the earnings or loss of each segment excluding the administration costs of the head office to be shared and the compensation of the directors and supervisors, dividend income, the portion of affiliates accounted for under the equity method, loss and gain from disposal of property, plant and equipment, loss and gain from disposal of investment property, loss and gain of disposal of non-current assets held for sale, and financial tool valuation gain (loss). These estimated amounts were provided for the chief operating decision maker to distribute resources to departments and evaluate their performance.

(III) Total segment assets

Segment assets	December 31, 2022	December 31, 2021
Continuing operations		
Automation segment	$ 5,341,953	$ 3,773,107
Manufacture of solar power system, parts and components	2,289,692	3,015,569
Electronic parts and components segment	1,244,709	833,717
Other segments	140,283	868,643
Total segment assets	9,016,637	8,491,036
Unallocated assets (Note)	2,078,351	2,007,961
Total consolidated assets	$ 11,094,988	$ 10,498,997

Note: These include financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, investment property, investments under the equity method, and deferred income tax assets.

Purpose of monitoring segment performance and distributing resources to segments:

Except for unallocated assets, all the assets are allocated to reportable segments. The assets shared by reportable segments are allocated based on the revenue of each reportable segment.

(IV) Information by territory

The Group has three main operation bases – Taiwan, China and Vietnam.

The Group's revenue of continuing operations from external clients and the non-current assets were classified respectively by operation base and location. Relevant information is listed as follows:

	Income from external clients		Non-current assets	
	2022	2021	December 31, 2022	December 31, 2021
Taiwan	$ 2,480,534	$ 1,692,378	$ 3,089,606	$ 2,679,188
USA/Canada	1,532,451	463,740	-	-
Mainland China	793,962	957,560	1,248,275	1,458,231
Hong Kong	193,386	539,944	-	-
Others	358,875	386,156	524,024	366,873
	$ 5,359,208	$ 4,039,778	$ 4,861,905	$ 4,504,292

Non-current assets do not include the financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, financial assets measured at amortized cost, investments under the equity method, and deferred income tax assets.

(V) Information about major clients

The single customer from which the income earned reached more than 10% of the Group's total income:

2022			2021		
Customer ID	Amount	Percentage in revenue %	Customer ID	Amount	Percentage in revenue %
CF company	$ 750,530	14	BM company	$ 450,300	11
CH company	668,496	12			

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Loans to Others
2022

Table 1

Unit: NTD and foreign currency (thousand)

No. (Note 1)	Lending company	Borrowing company	Current account	Related party	Maximum balance in current period	Balance – ending of the period	Drawdown	Range of interest rates %	Nature of loaning of funds	Transaction amount	Reasons for the need of short-term financing	Appropriated allowance for bad debt	Collateral Name	Collateral Value	Ceiling of loans to a single borrower (Notes 2 to 10)	Ceiling of total loaning of funds (Notes 2 to 10)
0	KENMEC MECHANICAL ENGINEERING CO., LTD.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	$ 671,110	$ 492,820	$ 431,400	3.0%~3.5%	Needs for short-term financing	$ -	Working funds	$ -	-	$ -	$ 721,562	$ 1,443,123
		KENMEC AUTOMATION ENGINEERING (KUNSHAN)	Other receivables	Y	256,842	-	-	3.50%	〃	-	〃	-	-	-	721,562	1,443,123
		VIETNERGY COMPANY LIMITED	Other receivables	Y	149,700	-	-	3.00%	〃	-	〃	-	-	-	721,562	1,443,123
		KENTEC INC.	Other receivables	Y	50,000	-	-	2.00%	〃	-	〃	-	-	-	721,562	1,443,123
1	KENMEC AUTOMATION ENGINEERING (KUNSHAN)	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	210,231 RMB 47,360	96,976 RMB 22,000	96,976 RMB 22,000	4.75%	〃	-	〃	-	-	-	226,100 RMB 51,293	226,100 RMB 51,293
2	KENMEC TECHNOLOGY (FUQING) CO., LTD.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	99,132 RMB 22,000	- RMB -	- RMB -	4.75%	〃	-	〃	-	-	-	- RMB -	- RMB -
3	KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	KENTEC ELECTRONICS (SUZHOU) CO., LTD.	Other receivables	Y	26,064 RMB 6,000	- RMB -	- RMB -	4.35%	〃	-	〃	-	-	-	100,649 RMB 22,833	100,649 RMB 22,833
		Suzhou Kenmec Property Development Ltd.	Other receivables	Y	153,204 RMB 34,000	85,956 RMB 19,500	85,956 RMB 19,500	4.35%	〃	-	〃	-	-	-	100,649 RMB 22,833	100,649 RMB 22,833
4	Fraternity Trade Development (KunShan) Co., Ltd.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	109,496 RMB 24,300	- RMB -	- RMB -	4.75%	〃	-	〃	-	-	-	- RMB -	- RMB -
		Suzhou Kenmec Property Development Ltd.	Other receivables	Y	21,760 RMB 5,000	- RMB -	- RMB -	4.35%	〃	-	〃	-	-	-	- RMB -	- RMB -
5	Tainergy Tech. Co., Ltd.	VIETNERGY COMPANY LIMITED	Other receivables	Y	143,075	-	-	3.00~5.00%	〃	-	〃	-	-	-	434,617	869,234
		TAISIC MATERIALS CO.	Other receivables	Y	200,000	100,000	-	2.5%~5.00%	〃	-	〃	-	-	-	434,617	869,234
		Star Solar New Energy Co., Ltd.	Other receivables	Y	65,000	65,000	65,000	2.5%~5.00%	〃	-	〃	-	-	-	434,617	869,234
6	Tainergy Technology (Kunshan) Co., Ltd.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	90,120	-	-	4.48%	〃	-	〃	-	-	-	328,321	328,321
		Suzhou Kenmec Property Development Ltd.	Other receivables	Y	160,728	110,200	110,200	3.65%~4.35%	〃	-	〃	-	-	-	328,321	328,321
		Kunshan Kunfu Electronic Materials Co., Ltd.	Other receivables	Y	2,253	2,204	2,204	4.35%	〃	-	〃	-	-	-	328,321	328,321
		KENTEC ELECTRONICS (SUZHOU) CO., LTD.	Other receivables	Y	19,681	-	-	4.35%	〃	-	〃	-	-	-	328,321	328,321
		KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	Other receivables	Y	74,936	-	-	4.35%	〃	-	〃	-	-	-	328,321	328,321
7	KENTEC INC.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	115,974	110,556	110,556	3.00%	〃	-	〃	-	-	-	126,344	252,688
		VIETNERGY COMPANY LIMITED	Other receivables	Y	97,268	-	-	3.00%	〃	-	〃	-	-	-	126,344	252,688
		TAISIC MATERIALS CO.	Other receivables	Y	24,000	-	-	2.00%	〃	-	〃	-	-	-	126,344	252,688
		Chief Global Logistics Co., Ltd.	Other receivables	Y	8,000	-	-	2.00%	〃	-	〃	-	-	-	126,344	252,688

Note 1: Number column description:

(1) 0 is reserved for issuer.

(2) Each invested company is numbered in sequential order starting from 1.

Note 2: KENMEC MECHANICAL ENGINEERING CO., LTD.'s limit of loans to others is calculated as follows:

Ceiling of loans to particular borrower: 20% of the Company's net value: $3,607,808×20%=721,562

Ceiling of total loaning of funds: 40% of the Company's net value: $3,607,808×40%=1,443,123

Note 3: KENMEC AUTOMATION ENGINEERING (KUNSHAN)'s limit of loans to others is calculated as follows:

Ceiling of loans to a single borrower: 40% of the Company's net value: RMB 51,293×40%＝RMB 20,517

The limit of total loaning of funds: 40% of the Company's net value: RMB 51,293×40%＝RMB 20,517

For the loaning of funds between the foreign companies that belong to the same parent company as the Company and whose 100% voting shares are held by the Company directly and indirectly, its amount is not subject to 40% of the net value.

Ceiling of loans to a single borrower: 100% of the Company's net value: RMB 51,293×100%＝RMB 51,293

The limit of total loaning of funds:100% of the Company's net value: RMB 51,293×100%＝RMB 51,293

Note 4: KENMEC TECHNOLOGY (FUQING) CO., LTD. was canceled on June 1, 2022.

Note 5: KENMEC TECHNOLOGY (SUZHOU) CO., LTD.'s limit of loans to others is calculated as follows:

Ceiling of loans to a single borrower: 40% of the Company's net value: RMB 57,083×40%＝RMB 22,833

The limit of total loaning of funds: 40% of the Company's net value: RMB 57,083×40%＝RMB 22,833

Note 6: Fraternity Trade Development (KunShan) Co., Ltd. was canceled on October 31, 2022.

Note 7: Tainergy Tech. Co., Ltd.'s limit of loans to others is calculated as follows:

Ceiling of loans to particular borrower: 20% of the Company's net value: $2,173,085×20%=434,617

Ceiling of total loaning of funds: 40% of the Company's net value: $2,173,085×40%=869,234

Note 8: Tainergy Technology (Kunshan) Co., Ltd.'s limit of loans to others is calculated as follows:

Ceiling of loans to a single borrower: 40% of the Company's net value: RMB 186,208×40%＝RMB 74,483

The limit of total loaning of funds: 40% of the Company's net value: RMB 186,208×40%＝RM 74,483

Note 9: KENTEC INC.'s limit of loans to others is calculated as follows:

Ceiling of loans to particular borrower: 20% of the Company's net value: $631,721×20%=126,344

Ceiling of total loaning of funds: 40% of the Company's net value: $631,721×40%=252,688

Note 10: The net value is determined based on the financial statements audited and certified by CPAs in the most recent year.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Endorsements/Guarantees for Others
2022

Table 2

Unit: NTD thousand

No. (Note 1)	Endorser/guarantor	Endorsee/guarantee		Limits on individual endorsements/ guarantees	Current maximum endorsement/ guarantee balance	Current endorsement/ guarantee balance – ending	Drawdown	Endorsement/ guarantee amount secured with property	Ratio of the cumulative endorsement/ guarantee amount to the net worth in the most recent financial statements (%)	Maximum endorsement/ guarantee limit	Endorsements/ guarantees made by the parent company for subsidiaries	Endorsements/ guarantees made by the subsidiaries for parent company	Endorsements/ guarantees made for the operations in Mainland China
		Company name	Relationship (Note 2)										
0	KENMEC MECHANICAL ENGINEERING CO., LTD.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	(3)	$ 2,886,246 (Note 3)	$ 76,120	$ -	$ -	$ - (Current deposit – reserve account)	-	$ 2,886,246 (Note 4)	Y	N	Y
		KENTEC INC.	(2)	2,886,246 (Note 3)	178,540	100,000	3,000	-	2.77%	2,886,246 (Note 4)	Y	N	N
1	Tainergy Tech. Co., Ltd.	VIETNERGY COMPANY LIMITED	(2)	1,738,468 (Note 5)	184,041	147,408	113,868	3,071	6.78%	1,738,468 (Note 6)	Y	N	N
		TAISIC MATERIALS CO.	(2)	- (Note 7)	150,000	-	-	-	-	1,738,468 (Note 6)	Y	N	N

Note 1: The number column is completed in the following manners:
1. 0 is reserved for issuer.
2. Each invested company is numbered in sequential order starting from 1.

Note 2: The relationship between the endorser/guarantor and endorsee/guarantee is classified into six categories as follows. It is only necessary to mark the type:
(1) A company which the Company has business dealings with.
(2) The company with the majority shareholdings of voting rights held by the Company directly and indirectly.
(3) The company holds the majority shareholdings of voting rights of the Company directly and indirectly,
(4) The company with more than 90% shareholdings of voting rights held by the Company directly and indirectly.
(5) The company needing mutual guarantee pursuant to an agreement in the same industry or between joint proprietors for undertaking engineering projects.
(6) The company received endorsements/guarantees from the shareholders proportionally to their shareholding due to a joint venture relationship.
(7) Escrow and joint and several guarantee of the contracts in the same industry that involve the transaction of pre-sale houses according to the Consumer Protection Act.

Note 3: Limits on individual endorsements/guarantees: No more than 80% of the Company’s net value on December 31, 2022: $3,607,808×80%=2,886,246

Note 4: Maximum endorsement/guarantee limit: No more than 80% of the Company’s net value on December 31, 2022: $3,607,808×80%=2,886,246

Note 5: Limits on individual endorsements/guarantees: No more than 80% of Tainergy Tech. Co. Ltd.’s net value on December 31, 2022: $2,173,085×80%=1,738,468

Note 6: Maximum endorsement/guarantee limit: No more than 80% of Tainergy Tech Co. Ltd.’s net value on December 31, 2022: $2,173,085×80%=1,738,468

Note 7: On July 15, 2022, the Group failed to increase the capital of Taisic Materials Co. in proportion to its shareholding, resulting in a decrease in the shareholding of Tainergy Tech Co., Ltd. from 55.41% to 47.656%. Taisic Materials Co. repaid the loan as an improvement plan on September 30, 2022 as an improvement plan.

Note 8: The net value is determined based on the financial statements audited and certified by CPAs in the most recent year.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Securities Held at the End of the Period
2022

Table 3

Unit: NTD and foreign currency (thousand)

Holding company	Type and name of securities	Relationship with the Issuer of Securities	Account title	At the end of the period				Remarks
				Number of shares	Book value	Shareholding percentage	Fair value	
KENMEC MECHANICAL ENGINEERING CO., LTD.	Fund beneficiary certificate							
	KGI Victory Money Market Fund	None	Financial assets mandatorily measured at fair value through profit or loss – current	15,487,528.17	$ 182,071		$ 182,071	
	TCB Money Market Fund	〃	〃	4,855,500.31	50,011		50,011	
	FSITC Taiwan Money Market	〃	〃	3,216,178.70	50,012		50,012	
					$ 282,094		$ 282,094	
	Overseas listed (OTC) stocks							
	EBS	〃	〃	39,800	$ 477		$ 477	
	SDT	〃	〃	33,120	150		150	
	PAN	〃	〃	64,687	1,248		1,248	
	SC5	〃	〃	34,848	764		764	
	HRC	〃	〃	35,000	2,483		2,483	
	HAC	〃	〃	93	1		1	
	IPA	〃	〃	370,800	5,692		5,692	
					$ 10,815		$ 10,815	
	Domestic non-listed (non-OTC) stocks							
	TeraSolar Energy Materials Corp.	The Company is a corporate director of the company	Financial assets mandatorily measured at fair value through profit or loss – non-current	1,776,637	$ 22,688	10.01%	$ 22,688	
	Tao Garden Hotel Co., Ltd.	〃	〃	5,000,000	43,600	16.64%	43,600	
	TMY Technology Inc.	None	〃	535,714	20,148	1.50%	20,148	
					$ 86,436		$ 86,436	
	United Information System Service Co., Ltd.	The Company is a corporate director of the company	Investment in equity instruments measured at fair value through other comprehensive income – non-current	780,000	$ 29,968	14.29%	$ 29,968	
	Ecatch Automation Co., Ltd.	〃	〃	90,000	900	15.00%	900	
	Meng-Lue Venture Investment Limited Partnership Preparatory Office	None	〃	-	7,500	8.33%	7,500	
					$ 38,368		$ 38,368	
KENTEC INC.	Domestic non-listed (non-OTC) stocks							
	3EGREEN TECHNOLOGY, INC.	“	Investment in equity instruments measured at fair value through other comprehensive income – non-current	139,096	$ -	6.93%	$ -	

(Next page)

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Holding company	Type and name of securities	Relationship with the Issuer of Securities	Account title	At the end of the period				Remarks
				Number of shares	Book value	Shareholding percentage	Fair value	
KENTEC INC.	International non-listed stocks							
	MEDICUSTEK INTERNATIONAL INC.	〃	〃	1,333,333	$ -	2.42%	$ -	
Hua-Xia Construction Co., Ltd.	Fund beneficiary certificate							
	FSITC Taiwan Money Market	None	Financial assets mandatorily measured at fair value through profit or loss – current	1,163,031.10	$ 18,086		$ 18,086	
Tainergy Technology (Kunshan) Co., Ltd.	Floating-rate financial products							
	Kunshan Rural Commercial Bank Sharing - Ririgin RMB Financial Commodity	〃	〃		$ 92,568		$ 92,568	
	Zhejiang Commercial Bank, Shengxin Ying B-1 Wealth Management Product	〃	〃		13,224		13,224	
	Zhejiang Commercial Bank, Shengxin Ying C-1 Wealth Management Product	〃	〃		44,521		44,521	
	Kunshan Rural Commercial Bank, Yueying RMB Financial Product	〃	〃		88,160		88,160	
					$ 238,473		$ 238,473	
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	Floating-rate financial products							
	Bank of Ningbo, Ningxing Tiantianliujin Financial Product	〃	〃		$ 35,264		$ 35,264	

Note: For more information on the investment in subsidiaries, affiliates and joint ventures, please refer to Table 9 and Table 10.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Aggregate Purchases or Sales of the Same Securities Reaching NTD 300 Million or More Than 20% of the Paid-in Capital
2022

Table 4

Unit: NTD thousand unless otherwise specified

Trading company	Type and name of securities	Account title	Counterparty	Relationship	At the beginning of the period		Purchase		Sale				At the end of the period	
					Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Selling price	Book cost	Losses and gains on disposal	Number of shares (thousand shares)	Amount
KENMEC MECHANICAL ENGINEERING CO., LTD.	FSITC Taiwan Money Market	Financial assets measured at fair value through profit or loss – current	-	-	18,104	$ 280,091	8,375	$ 130,000	23,262	$ 360,732	$ 360,000	$ 732	3,217	$ 50,012
〃	KGI Victory Money Market Fund	〃	-	-	5,986	69,991	40,237	472,000	30,735	360,251	359,973	278	15,488	182,071
〃	TCB Money Market Fund	〃			2,928	30,028	30,176	310,000	28,249	290,183	290,020	163	4,855	50,011

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Disposal of property reaching NTD 300 million or more than 20% of the paid-in capital
January 1 to December 31, 2022

Table 5

Unit: NTD and foreign currency (thousand)

Companies with real properties disposed of	Name of property	Date of occurrence	Original acquisition date	Book value	Transaction Amount	The receipt of the transaction price	Losses and gains on disposal	Counterparty	Relationship	Reason for disposal	Reference basis upon which the price was determined	Other special stipulations
Tainergy Technology (Kunshan) Co., Ltd.	Land use rights, land improvements and plant	October 27, 2022	May 2009	$ 662,476 RMB 149,672	$ 809,173 RMB 182,815	Collected	$ 146,697 RMB 33,143	Kunshan Changshunhong Energy Technology Co., Ltd.	—	Revitalization of assets	With reference to the appraisal report of professional appraisers and the result of the counterparty's negotiation	None

Note 1:The date of occurrence is the date of the transaction completion.
Note 2:The transaction amount is net of related taxes.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Purchases or sales of goods from and to related parties reaching NTD 100 million or more than 20% of the paid-in capital
2022

Table 6

Unit: NTD thousand unless otherwise specified

Purchaser/seller	Counterparty	Relationship	Transaction				Trading conditions different from those of regular transactions and reasons thereof (Note 1)		Notes/accounts receivable (payable)		Remarks (Note 2)
			Purchase (sale)	Amount	Percentage in total purchases (sales)	Loan period	Unit price	Loan period	Balance	Percentage in total notes/ accounts receivable (payable)	
KENMEC MECHANICAL ENGINEERING CO., LTD.	TAISIC MATERIALS CO.	Subsidiary	Sale	$ 164,578	7.28%	T/T 90 days upon invoice date	—	—	$ 3,890	2.33%	
Tainergy Tech. Co., Ltd.	VIETNERGY COMPANY LIMITED	Subsidiary	Processing fee	880,677	38.64%	T/T 30 days upon invoice date	—	—	(114,767)	54.57%	Part of the processing cost amounting to NTD 3,185 thousand is recognized in other payables, accounting for 13.54% of other total payables.

Note 1:If the conditions of trading with related parties are different from those of regular transactions, the difference and the reasons thereof shall be indicated in the “price” and “loan period” columns.
Note 2:In case of receipts in advance or prepayments, the reasons, agreed terms and conditions, amount, and the different from regular transactions shall be indicated in the “Remark” column.
Note 3:Related transactions and period-end balances were removed from the consolidated financial statements.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Accounts Receivable from Related Parties Reaching NTD 100 Million or More Than 20% of Paid-in Capital
2022

Table 7

Unit: NTD and foreign currency (thousand)

Company Booking Accounts Receivable	Counterparty	Relationship	Balance of Accounts Receivable from Related Parties	Turnover Rate	Overdue Accounts Receivable from Related Parties		Subsequent Recovered Amount of Accounts Receivable from Related Parties	Appropriated allowance for loss
					Amount	Treatment		
KENMEC MECHANICAL ENGINEERING CO., LTD.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Subsidiary	Other receivables $ 437,172 RMB 70,899 USD 4,059	(Note 1)	$ -	—	$ 60,719	$ -
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Fellow subsidiary	Other receivables 105,292 RMB 23,887	(Note 1)	-	—	-	-
Tainergy Technology (Kunshan) Co., Ltd.	Suzhou Kenmec Property Development Ltd.	Fellow subsidiary	Other receivables 111,444 RMB 25,282	(Note 1)	-	—	-	-
KENTEC INC.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Fellow subsidiary	Other receivables 112,461 USD 3,662	(Note 1)	-	—	-	-
VIETNERGY COMPANY LIMITED	Tainergy Tech. Co., Ltd.	Parent company	Accounts receivable 117,952 USD 3,841	8.98	-	—	-	-

Note 1:This is the amount from loaning of funds, its interest is recognized in other receivables and not incorporated in the calculation of turnover rate.
Note 2:Related transactions and period-end balances were removed from the consolidated financial statements.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
The business relationship and important transactions between the parent company and its subsidiaries, and between subsidiaries.
2022

Table 8

Unit: NTD thousand

No. (Note 1)	Name of Trader	Counterparty	Relationship with counterpart (Note 2)	Transaction			Percentage of consolidated total operating revenue or total assets (Note 3)
				Title	Amount	Trading conditions	
0	The Company	Kenmec Mecha-Tronics	1	Other receivables	$ 437,172	Interest rate 3.0%–3.5%	3.94%
		Kenmec Mecha-Tronics	1	Accounts payable	55,274	No significant difference from general manufacturers	0.50%
		Kenmec Mecha-Tronics	1	Cost of sales	78,637	No significant difference from general manufacturers	1.47%
		Taisic Materials	1	Project income	164,578	No major difference from regular customers	3.07%
		Taisic Materials	1	Contract liabilities	112,035	No major difference from regular customers	1.01%
		Chief Global Logistics	1	Project income	32,355	No major difference from regular customers	0.60%
1	Kenmec Mecha-Tronics	Kenmec Mechanical	2	Contract liabilities	98,928	No major difference from regular customers	0.89%
		Automation Kunshan	3	Contract liabilities	84,109	No major difference from regular customers	0.76%
		Automation Kunshan	3	Project cost	178,098	No significant difference from general manufacturers	3.32%
		Automation Kunshan	3	Other payables	105,292	Interest rate 4.75%	0.95%
2	Automation Kunshan	Kenmec Mecha-Tronics	3	Contract liabilities	203,464	No major difference from regular customers	1.83%
3	Kentec	Kenmec Mecha-Tronics	3	Other receivables	112,461	Interest rate 3.0%	1.01%
4	Kenmec Technology	Kenmec Property Development	3	Other receivables	91,281	Interest rate 4.35%	0.82%
5	Tainergy	VIETNERGY COMPANY LIMITED	3	Accounts payable	114,767	No significant difference from general manufacturers	1.03%
		VIETNERGY COMPANY LIMITED	3	Cost of sales	880,677	No significant difference from general manufacturers	16.43%
6	Tainergy Kunshan	Kenmec Property Development	3	Other receivables	111,444	Interest rate 3.65%–4.35%	1.00%

Note 1: The business transactions between the parent company and its subsidiaries shall be indicated in the "No". column. This column shall be completed as follows:
1. 0 is reserved for the parent company.
2. Each subsidiary is numbered in sequential order starting from 1.

Note 2: The relationship with the related parties is classified into seven categories as follows. It is only necessary to mark the type. (Repeated disclosure is not necessary for the same transaction between the parent company and its subsidiaries or between the subsidiaries. In case of the transaction in the form of parent company to a subsidiary, for example, if the parent company has disclosed the transaction, the subsidiary is not necessary to disclose the same repeatedly; In case of the transaction in the form of subsidiary to subsidiary, if a subsidiary has disclosure the transaction, the other subsidiary is not necessary to disclose the same.)
1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: For calculating the percentage of the transaction amount in total consolidated operating revenue or assets, the share of the balance at ending of the period in the consolidated total assets is used as the basis of the calculation under the title of assets/liabilities; the share of the interim accumulated amount in the total consolidated operating revenue is used as the basis for the calculation under the title of profit/loss.

Note 4: Related transactions and period-end balances were removed from the consolidated financial statements.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Name and Territory of Investees and Other Relevant Information
2022

Table 9

Unit: NTD and foreign currency (thousand)

Name of investor	Name of investee	Territory	Main business operation	Original investment amount		Held at the end of the period			Current profit (loss) of investee	Profit (loss) from investments recognized in the current period	Remarks
				End of current period	End of last year	Number of shares	Ratio (%)	Book value			
KENMEC MECHANICAL ENGINEERING CO., LTD.	Kenmec International Holding (BVI) Co., Ltd.	Wickhams Cay 1 P.O. BOX 362 Road Town Tortola British Virgin Islands	Investment holding business	$ 1,168,764 USD 38,039	$ 1,268,529 USD 41,039	38,038,752	100	$ 5,514	$ 29,618	$ 34,866	Subsidiary
	Ample Assets Holdings Ltd.	Portcullis Trusnet Chambers,P.O. Box 1225,Apia,Samoa	Investment holding business	- USD -	138,746 USD 4,650	-	-	-	2,388	2,388	〃
	Tainergy Tech. Co., Ltd.	No. 5, Ziqiang 1st Rd., Zhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City	Research, design, manufacture and sale of solar cells and module-related systems	1,942,337	1,943,443	61,132,856	27.17	543,207	110,030	56,891	〃
	KENMEC VIETNAM COMPANY LIMITED	Plant B, Thach That – Quoc Oai Industrial Zone, Hanoi City, Vietnam	Manufacturing of electric water heaters, engineering machinery	122,347 USD 3,800	122,347 USD 3,800	-	100	105,344	3,162	3,162	〃
	KENTEC INC.	No. 385-3, Hongzhen Road, Pingzhen District, Taoyuan City	Manufacture of electronics parts and components	1,724,554	1,724,554	47,252,154	89.16	562,198	89,020	80,266	〃
	TAISIC MATERIALS CO.	No. 5, Ziqiang 1st Rd., Zhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City	Manufacturing and sales of electronic parts and components	107,000	37,000	4,400,000	8.80	26,798	(295,572)	(53,861)	〃
	Chief Global Logistics Co., Ltd.	5F, No. 95, Nangang Sec., Nangang Dist., Taipei City	Warehousing	10,400	1,000	1,040,000	52.00	18,288	18,359	10,718	〃
	Hua-Xia Construction Co., Ltd.	4F., No. 76, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City	Comprehensive Construction	30,980	30,980	3,000,000	100	17,872	(797)	(797)	〃
KENTEC INC.	Kenmec Communication Holding (BVI) Co., Ltd.	Wickhams Cay 1 P.O. BOX 3444 Road Town Tortola British Virgin Islands	Investment holding business	930,336 USD 28,087	930,336 USD 28,087	28,086,868	100	251,669	11,215	12,039	〃
Tainergy Tech. Co., Ltd.	Tainergy Tech Holding (Samoa) Co., Ltd.	TrustNet Chambers Lotemau Centre, P.O. BoX 1225, Apia, Samoa.	Investment business	2,211,921 RMB 456,201	2,211,921 RMB 456,201	-	100	820,831	149,697	149,697	〃
	VIETNERGY COMPANY LIMITED	Plant B, Thach That – Quoc Oai Industrial Zone, Quoc Oai District, Ha Noi City, Vietnam	Manufacture of high-tech solar cells and related cell components	1,465,491 USD 46,500	1,465,491 USD 46,500	-	100	467,200	189,504	167,665	〃
	Star Solar New Energy Co., Ltd.	11F.-8, No. 398, Huanbei Rd., Neighborhood 11, Xinjie Vil., Zhongli Dist., Taoyuan City	Solar power generation and sale of solar power systems	5,000	5,000	500,000	35.71	3,886	6,290	2,835	Associate
	TAISIC MATERIALS CO.	No. 5, Ziqiang 1st Rd., Zhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City	Manufacturing and sales of electronic parts and components	238,280	238,280	23,828,000	47.656	300,874	(295,572)	(148,808)	Subsidiary

Note 1: For more information on the investees in Mainland China, please refer to Table 10.
Note 2: Related transactions and period-end balances were removed from the consolidated financial statements.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Information on investments in Mainland China
2022

Table 10

Unit: NTD and foreign currency (thousand)

1. Information about investees in Mainland China, such as the name, main business operations, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment profit/loss, book value of investment, investment gain or loss having been remitted back:

Name of Chinese investees	Main business operation	Paid-in capital	Method of investment (Note 1)	Accumulated amount of investments from Taiwan at the beginning of the current period	Amount of investments remitted or recovered in current period		Accumulated amount of investments from Taiwan at the end of current period	Current profit (loss) of Profit and loss for the period	The Company's shareholding of direct or indirect investment (%)	Profit (loss) from investments recognized in the current period (Note 2)	Book value of investment at ending	Profit received from investments as of end of current period	Remarks
					Remittance	Return							
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	T.F.T. process equipment, semiconductor process equipment, industrial conveying machinery, and automatic storage equipment.	$ 1,198,618 USD 38,800 (Note 3)	(2)-(1)	$ 1,076,543 USD 34,900	$ -	$ -	$ 1,076,543 USD 34,900	($ 30,571) (RMB 6,914)	100	($ 30,571) (RMB 6,914) (2)－B	($ 217,033) (RMB 49,236)	$ -	
KENMEC TECHNOLOGY (FUQING) CO., LTD.	Development, production and sales of new electronic components (chip components), digital audio and video coding equipment, portable microcomputers, new flat-panel displays.	- USD -	(2)-(1)	99,765 USD 3,000	-	99,765 USD 3,000	-	46,338 RMB 10,479	100	46,338 RMB 10,479 (2)－B	-	-	
Fraternity Trade Development (KunShan) Co., Ltd.	Tourism and leisure industry, such as management of hot spring hotels, health and leisure clubs, and slow living and light bite tourism	- USD -	(2)-(2)	134,189 USD 4,500	-	134,189 USD 4,500	-	2,699 RMB 610	100	2,699 RMB 610 (2)－B	-	-	
Suzhou Kenmec Property Development Ltd.	Real estate business	1,157,582 RMB 25,2000 (Note 4)	(2)-(3)	-	-	-	-	(72,284) (RMB 16,404)	76.88	(68,457) (RMB 15,525) (2)－B	604,936 RMB 137,236	-	
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	Automated flow line equipment and supporting equipment, display production equipment, semiconductor production equipment, etc.	266,914 RMB 60,000 (Note 5)	(2)-(1)	266,914 RMB 60,000	-	-	266,914 RMB 60,000	14,194 RMB 3,210	100	14,194 RMB 3,210 (2)－B	226,100 RMB 51,293	-	
KENTEC ELECTRONICS (SUZHOU) CO., LTD.	New electronic components (chip components), digital sounds, etc.	43,921 RMB 10,000	(2)-(7)	-	-	-	-	33,779 RMB 7,629	38.2	12,991 RMB 2,934	33,374 RMB 7,571	-	
KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	New electronic components (chip components), digital sounds, etc.	855,358 USD 26,800 (Note 5)	(2)-(4)	759,491 USD 23,900	-	92,790 USD 3,200	666,701 USD 20,700	11,217 RMB 2,549	90.34	10,133 RMB 2,303	227,304 RMB 51,566	-	
Tainergy Technology (Kunshan) Co., Ltd.	R&D, design, production of high-tech green cells (solar cells) and their components	2,206,989 USD 70,000	(2)-(5)	2,206,989 USD 70,000	-	-	2,206,989 USD 70,000	149,695 RMB 33,729	27.17	40,672 RMB 9,164 (2)－B	223,013 RMB 50,593	-	
Kunshan Kunfu Electronic Materials Co., Ltd.	Sales and manufacture of electronic materials and parts	19,242 USD 4,500 (Note 5)	(2)-(6)	-	-	-	-	(474) (RMB 107)	27.17	(129) (RMB 29) (2)－B	1,167 RMB 265	-	
Kunshan Jichang Energy Technology Co., Ltd.	Sale of solar power-related products	-	(2)-(6)	-	-	-	-	-	27.17	-	-	-	

Note 1: Investment is carried out through the following 3 means:
(1) Engaged in direct investment in Mainland China.
(2)-(1) Invested in Mainland China through Kenmec International Holding (BVI) Co., Ltd.
(2)-(2) Invested in Mainland China through Ample Assets Holdings Ltd.
(2)-(3) Invested in Mainland China jointly through Kenmec Mecha-Tronics (Suzhou) Co., Ltd. and Tainergy Technology (Kunshan) Co., Ltd.
(2)-(4) Invested in Mainland China through Kenmec Communication Holding (BVI) Co., Ltd.
(2)-(5)Invested in Mainland China through Tainergy Tech Holding (Samoa) Co., Ltd.
(2)-(6) Invested in Mainland China through Tainergy Technology (Kunshan) Co., Ltd.
(2)-(7) Invested in Mainland China through Kenmec Automation Engineering (Kunshan).
(3) Other means.

Note 2: In the "Profit (loss) from investments recognized in the current period" column:
(1) An indication is needed if the investment is under preparation and there is no profit or loss.
(2) There are the following three profit/loss recognition bases. The appropriate one must be indicated.
A. The financial statements audited and approved by an international accounting firm that has a collaboration relationship with an accounting firm in the Republic of China.
B. The financial statements audited and approved by a CPA of the parent company in Taiwan.
C. Other (the unaudited financial statements of the aforesaid investees for the same period).

Note 3: The earnings of the liquidated invested KENMEC Automation Engineering (Suzhou) Co., Ltd. Amounting to USD 3.90 million were used for capital increase.

Note 4: The operating funds of the invested KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. were used for reinvestment amounting to RMB 172 million and the operating funds of the invested Tainergy Technology (Kunshan) Co., Ltd. were used for investment amounting to RMB 80 million.

Note 5: The operating funds of the invested Tainergy Technology (Kunshan) Co., Ltd. were used for reinvestment amounting to RMB 4.5 million.

Note 6: In June 2021, Kenmec Technology (Suzhou) Co., Ltd. reduced its capital and refunded USD 15.2 million in shares.

2. Limit on the amount of investments in Mainland China:

Unit: foreign currency thousand/NTD thousand

Accumulated amount of investments from Taiwan to Mainland China at the end of current period (Note 7)	Investment amount approved by the Investment Commission, MOEA	Limit on the amount of investments in Mainland China specified by the Investment Commission, MOEA (Note 8)
$ 4,217,147 (USD 125,600、RMB 60,000)	$ 5,507,991 (USD 161,700、RMB 123,000) (Exchange rate: USD 30.71; RMB 4.408)	$ 3,308,935

Note 7: Including Huang Pin Electronics (Suzhou) Co Ltd. after its liquidation in February 2012, the accumulated amount of investments from Taiwan that had not been remitted back was NTD 23,395 thousand (USD 657 thousand).

Note 8: The Company recognizes the loss on the investment in Tainergy Tech. Co., Ltd. and KENTEC INC. under the equity method and exceeds the limit on the amount of investments in Mainland China specified by the Investment Commission, MOEA.

Kenmec Mechanical Engineering Co., Ltd. and Subsidiaries
Information on Major Shareholders
2022

Table 11

Names of major shareholders	Shares	
	Number of shares held	Shareholding percentage
CHING-FU HSIEH	24,243,707	9.73%
YUEH-CHEN LIN	18,217,345	7.31%

Note 1: The information on major shareholders is acquired from the data of Taiwan Depository & Clearing Corporation with respect to the shareholders holding aggregately 5% or more of the common and special stocks of the Company that have been registered and delivered in dematerialized form (including treasury stocks) on the last business day at the end of the current quarter. The capital stock stated in the consolidated financial reports of the Company may be different from the number of stocks that have been actually registered and delivered in dematerialized form due to different bases of compilation and calculation.

Note 2: In case any shareholder who transferred their stocks to a trustee, the information on such shareholder was disclosed based on the account of the principal subject to the trust account opened by the trustee. As for a shareholder who declares insider shares of more than 10% shareholdings pursuant to the securities and exchange regulations, the number of shares held includes the shares of the shareholder and the shares that he/she transferred to a trustee and for which he/she has the right to determine the application of the trust property. For more information on the declaration of insider shares, refer to the MOPS.

Seven. Review and Analysis of Financial Status and Financial Performance and Risk Management

I. Financial Status

Comparative Analysis of Financial Status

Unit: NTD thousand

Year (Note 1) / Item	December 31, 2022	December 31, 2021 (after restatement)	Difference	
			Amount	%
Current assets	5,817,164	5,639,392	177,772	3.15%
Long-term investment	37,260	17,178	20,082	116.91%
Property, plant and equipment	2,388,132	2,550,447	(162,315)	-6.36%
Investment property	1,154,309	1,077,479	76,830	7.13%
Intangible assets	15,384	22,287	(6,903)	-30.97%
Other assets	1,682,739	1,192,214	490,525	41.14%
Total assets	11,094,988	10,498,997	595,991	5.68%
Current liabilities	4,147,075	4,397,840	(250,765)	-5.70%
Non-current liabilities	1,433,021	1,369,072	63,949	4.67%
Total liabilities	5,580,096	5,766,912	(186,816)	-3.24%
Share capital	2,490,112	2,490,112	0	0.00%
Capital reserves	293,869	604,226	(310,357)	-51.36%
Retained earnings	1,087,866	603,377	484,489	80.30%
Other items in shareholders' equity	1,643,045	1,034,370	608,675	58.84%
Total shareholder equity	5,514,892	4,732,085	782,807	16.54%

Note 1: From Janurary 1, 2021, as the property, plant and equipment of the Company's subsidiary reached the location and condition necessary for management's intended operations, it is applicable to "Property, Plant and Equipment: Proceeds before Intended Use" (Amendments to IAS 16). Therefore, the 2021 financial statements have been retroactively restated.

Description of major variations (increase or decrease ratio reaching 20% or more and its amount of change reaches NTD 10 million) of accounting items:

1. Reason for the increase in long-term investments: As a result of capital increase of KENTEC ELECTRONICS (SUZHOU) CO., LTD. and net profit of investment in 2022.
2. Reason for the increase in other assets: As a result of the prepayment by subsidiary KENMEC Technology (Suzhou) Co., Ltd. to invest in Anhui Rong-Yun Property Development Co., Ltd. in 2022.
3. Reason for the decrease in capital surplus: As a result of payment of dividends from capital surplus in 2021.
4. Reason for the increase in retained earnings: As a result of the increase in net income after tax for the period.
5. Reason for the increase in shareholders' equity under other items: As a result of capital increase of TAISIC MATERIALS CO., in 2022.

II. Financial performance

(I) Comparative Analysis

Unit: NTD thousand

Item \ Year (Note 1)	2022	2021 (after restatement)	Increase/decrease amount	Change in percentage (%)
Operating revenue	5,359,208	4,039,778	1,319,430	32.66%
Operating costs	4,361,125	3,871,001	490,124	12.66%
Realized operating gross profit	998,083	168,777	829,306	491.36%
Operating expenses	945,058	916,290	28,768	3.14%
Operating profit (loss) – net	53,025	(747,513)	800,538	-107.09%
Non-operating revenue and expenses	403,423	(160,376)	563,799	-351.55%
Current net profit (loss) before tax	456,448	(907,889)	1,364,337	-150.28%
Income tax expense profit	(12,698)	(65,832)	53,134	-80.71%
Net income (loss) after tax for the period	443,750	(973,721)	1,417,471	-145.57%

Note 1: From Janurary 1, 2021, as the property, plant and equipment of the Company's subsidiary reached the location and condition necessary for management's intended operations, it is applicable to "Property, Plant and Equipment: Proceeds before Intended Use" (Amendments to IAS 16). Therefore, the 2021 financial statements have been retroactively restated.

Description of major variations (increase or decrease ratio reaching 20% or more and its amount of change reaches NTD 10 million):

1. The increase in revenue was mainly due to the strong demand for highly smart automation and solar power market in the U.S., resulting in higher overall sales volume this year compared to the same period last year.
2. The increase in realized operating profit was mainly due to the increase in operating income in 2022.
3. The increase in net operating income (loss) was mainly due to the increase in operating income in 2022.
4. The increase in non-operating income and expenses was mainly due to the increase in gain on disposal of non-current assets held for sale in 2022 and the impairment loss of NTD 312,976 thousand recognized in the same period last year.
5. The increase in net income before income tax was mainly due to the increase in operating income in 2022.
6. The decrease in income tax profit for the period was mainly due to the increase in operating income in 2022.
7. The increase in net income after tax for the period was mainly due to the increase in operating income in 2022.

III. Cash flow

1. Analysis of changes in cash flows of the most recent year

Unit: NTD thousand

Item \ Year (Note 1)	2022	2021	Increase (decrease) change	
			Amount	%
Operating activities	1,218,976	1,529,984	(311,008)	-20.33%
Investment activities	(570,102)	(982,773)	412,671	-41.99%
Fund-raising activities	129,492	(424,734)	554,226	-130.49%
Effect of exchange rate changes	4,677	(9,398)	14,075	-149.77%
Net cash inflow	783,043	113,079	669,964	592.47%

Note 1: From Janurary 1, 2021, as the property, plant and equipment of the Company's subsidiary reached the location and condition necessary for management's intended operations, it is applicable to "Property, Plant and Equipment: Proceeds before Intended Use" (Amendments to IAS 16). Therefore, the 2021 financial statements have been retroactively restated.

Net cash inflow (outflow) from operating activities:

1. Operating activities: Mainly due to the decrease in other receipts in advance in 2022.
2. Investing activities: Mainly due to the decrease in the procurement of property, plant and equipment in 2022.
3. Financing activities: Mainly due to the increase in bank borrowings necessary for operations.

2. Projected improvement plan for insufficient cash: The Company has no cash shortage.
3. Cash flow analysis for the coming year:
   (1) Operating activities: The cash inflow from operating activities was mainly due to the increase in profit in 2023.
   (2) Investment activities: The cash outflow from investment activities was mainly the relocation grant of the subsidiary in China in 2023.
   (3) Fund-raising activities: The cash outflow from fund-raising activities was mainly due to the expected cash dividends from the parent company and the purchase of real estate in 2023.

IV. Effect of material capital expenditure in the most recent year on the financial status

The capital expenditure in 2022 was mainly due to increase the capital of the subsidiary TAISIC MATERIALS CO., providing the subsidiary adequate working capital. In consideration of the Group's overall benefits, profits have ultimately returned to the parent company.

In response to thriving orders of the automation business projects, we purchased additional machinery and equipment in 2022 to ensure the quality of production and to meet the quality and delivery schedule of customers.

V. The investment policies, the main reasons for the gains or losses of investments in the most recent year, the improvement plan and the investment plans for the next year.

(I) Investment policy:

The Company regards the combined benefits of strategic alliances and market development trends as the key points for investment, and evaluates the future profitability of investment plans in a stringent manner.

(II) Main reason for profit or loss and improvement plans:

The Company's profit was mainly due to a 15% increase in gross operating profit and an investment gain of NTD 15,826 thousand recognized under the equity method. The profit was attributed to the booming orders of each business unit. As the Company is careful when making an investment, the financial situation and management status of the investees are reviewed on a monthly basis. By doing this, the latest conditions of such company can be understood by the Company in order to make timely adjustments to strategies and directions.

(III) Investment plan for the coming year:

In the future, the Company will carefully evaluate the options and possibilities for investments in diversified companies, striving to create a win-win situation for both shareholders and the Company.

VI. Risk analysis and assessment of the following matters during the most recent fiscal year and as they stood on the date of publication of the annual report.

(I) Risk factors

1. Effect of interest and exchange rate changes and inflation on the income of the Company, and future responsive measures:
   (1) Effect of interest and exchange rate changes and inflation on the income of the Company for the most recent year
      ① Effect of interest and exchange rate changes on the income of the Company for the most recent year
      Interest rate: Interest rate fluctuation affects the Company's capital costs. Not only does our working capital rely on bank loans, it is supported by our own operating profits. To be able to respond to interest rate changes, we seek more favorable interest rates from banks, while also keeping a close eye on future interest rate trends at all times. We use various financing instruments in the capital market in a timely manner to reduce the cost upon obtaining funds. At the same time, we maintain a positive and interactive relationship with banks in the hope of gaining information on a wider range of interest rates.
      Exchange rate: We pay attention to changes of major currencies in the international exchange market to grasp the trend of exchange rates so as to make quick responses. Meanwhile, we also ask our sales staff to take into consideration risks arising from exchange rate changes upon product quotation and adjust prices in a timely manner to ensure profit.
      ② Effect of inflation on the income of the Company in the most recent year
      Inflation did not post any signification effect on the income of the Company in 2022 and 2022 and up until the publication date of the annual report. The Company will continue to monitor the related economic changes and market trends to avoid adverse effects inflation posed on the Company’s income.

2. Policy on high-risk, highly-leveraged investments, loaning of funds to others, endorsements and guarantees, as well as derivatives trading, main reasons for gains or losses, and future responsive measures
   (1) The Company and its subsidiaries do not engage in high-risk, highly-leveraged investments or derivative trading. We conduct capital allocation and hedging activities based on safe and prudent principles.
   (2) Not only do the Company and its subsidiaries comply with applicable operating procedures when loaning funds to others, providing endorsements/guarantees or engaging in derivatives trading, we also prepare reports publicly on a regular basis as required by the competent authorities:

1. Loaning funds to others: As of the date of publication of the annual report, the Company and its subsidiaries have loaned funds only to the Company’s Subsidiaries.
2. Endorsement/guarantee: As of the date of publication of the annual report, the Company and its subsidiaries have provided endorsements/guarantees only to the Company or its subsidiaries in which the Company holds 50% or more of the shares.
3. 2022 R&D Projects and Budget of the R&D Department

Most recent annual plans	Current progress	R&D expenses to be reinvested	Completion time for mass production	Major factors for the future R&D to succeed
Dual rudder roller conveyor AMR	90% completed	6,578,989	December 31, 2023	1. Improve product functions 2. Upgrade product features
Full coupled AMR cross-control system	90% completed	5,488,500	December 31, 2023	1. Improve product functions 2. Upgrade product features
OF pallet detection technology + Lidar space detection technology	90% completed	142,930,950	December 31, 2023	1. Improve product functions 2. Upgrade product features

4. Financial impacts and responsive measures in the event of changes in local and foreign important policies and regulations: We keep a close eye on important policies and legal changes in Taiwan and abroad and evaluate their impacts on the Company. In the most recent year, changes in policies and laws in Taiwan and abroad posed no material impact to the Company's financial operations.
5. Financial impacts and responsive measures in the event of changes in technology (including cyber security risks) and industry: We pay attention to changes in technology in the industry at all times. Depending on the situation, we assign dedicated personnel or a task force to evaluate the impact on the Company's future development and financial operations, as well as formulating response measures. In the most recent year and the application year, changes in technology posed no material impact on the Company's financial operations.
6. The impact of changes in the Company's image upon its crisis management and response measures: As of now, there have been no incidents that impacted the Company's corporate image.
7. The expected benefits from merger and acquisition, potential risks and response measures: In the most recent year, there were no merger or acquisition plans.
8. The expected benefits, potential risks, and response measures with regard to any plant expansion: In the most recent year, there were no plans to expand plants.
9. The risks and responsive measures with regard to any concentrated purchases or sales: The automation business of the Company is the customization of the automated logistics and transportation according to the needs of customers. As our products are manufactured upon the receipt of orders, there were no concentrated purchases or sales in the most recent year.
10. Effect upon and risk to the company if a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and measures to be adopted in response: In 2022 and 2023 and up to the publication date of the annual report, there were no transfers of a major quantity of shares belonging to a director, supervisor or shareholder holding greater than a 10 percent stake in the Company, nor were there any change of hands.
11. Impacts on the Company, risks and response measures with regard to any change in management rights: None.
12. Litigation and non-litigation cases:
    (1) As of the most recent year up to publication date of the annual report, major litigious, non-litigious, or administrative disputes that could materially affect shareholders' equity or the prices of the company's securities: None.
    (2) As of the most recent year up to publication date of the annual report, major litigious, non-litigious or administrative disputes that involve the company and/or any company director, any company supervisor, the president, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company, may pose a significant impact on the shareholders' equity and the price of the securities: None.
    (3) The company and/or any company director, supervisor, managers, and major shareholder holding a stake of greater than 10 percent, as of the last two years and as of the date of publication of the annual report regarding the matters stipulated in Article 157 of the Securities and Exchange Act and the current situation of the Company: None.
    (4) The company and/or any company director, supervisor, managers, and major shareholder holding a stake of greater than 10 percent, have experienced financial difficulties or loss of credit as of the last two years and as of the date of publication

of the annual report, the annual report shall explain how said difficulties will affect the company's financial status: None.

13. Other important risks, and mitigation measures being or to be taken: Cyber security risks.
    (1) Information security:
    When it comes to the Company's information security, we uphold the principle of "everyone is responsible for information security, establishing the information security system, strengthening information security protection, ensuring the Company's confidential information, and the promotion of personal information". Relevant measures have been formulated accordingly for employees to adhere to. Over the years, we have been making an effort to improve our information security management mechanism. Not only do we implement information security through email notifications from time to time, we also promote its related measures on the website. At Tainergy, we continue to refine our information security management and enforce information security operations, protect customer data and company intellectual property, and strengthen our information security incident response capabilities. By implementing these measures, we strive to become the best indicator in terms of all aspects of information security.

    (2) Cyber security and network risk control:
    Due to the growing development in network technology, the techniques of cyber-attacks are constantly changing and becoming more frequent. It is impossible for the information system to completely prevent network from being paralyzed by cyber-attacks. The Company has adopted proactive information security enhancement operations, and aside from introducing new firewalls, spam and malicious mail filtering devices, basic protection for employees to use internet, real-time updates to the operating system, automatic real-time updates to the anti-virus engine and centralized antivirus management, and all-day information security monitoring services, we also assess risks in relation to the information system to control and reduce risks arising from information security.

    (3) Employee data security training and notification:
    In addition to the immediately basic information security-related training we provide to newcomers, we also inform our employees via email with respect to the latest information on cyber-attacks so as to remind them of the precautions. We also promote related information security knowledge on receiving and sending emails in order to reduce the risk of attacks by employees who click on malicious emails by mistake. Furthermore, extensive related information is also available on the Company's intranet site to increase the ability of our employees of all departments in managing information security themselves. Through real-time communication software and email announcements, not only do we increase our employees' information security awareness, we also make sure that the concept of it is integrated into the daily operations.

    (4) In 2022, the Company did not experience any major cyber-attacks that impacted its operations.

VII. Other important matters

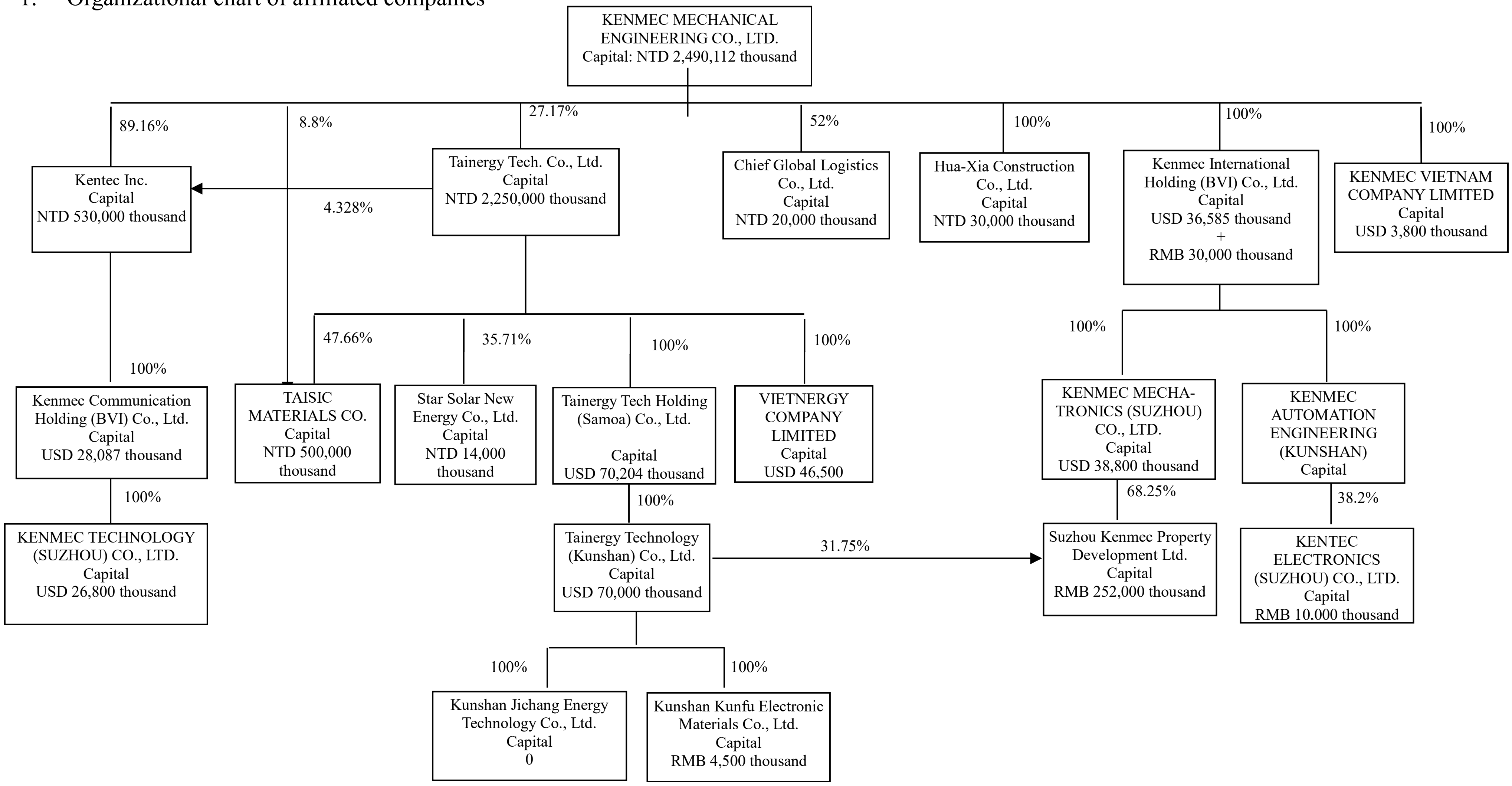
None.

Eight. Special Items

I. Information on affiliates

(I) Consolidated Business Report of Affiliates

1. Organizational chart of affiliated companies



2. Basic information on affiliates

Company name	Date of Incorporation	Address	Paid-in Capital on December 31, 2022	
Control company KENMEC MECHANICAL ENGINEERING CO., LTD.	1976.07.12	1F., No. 69, Ruifang Industrial Park, Dingping Rd., Ruifang Dist., New Taipei City, Taiwan	NTD 2,490,112 thousand	◆ Industrial machinery, steel angle frame, steel structure design, processing, manufacturing and trading. ◆ Import and export of machinery and hardware, machinery and electrical equipment. ◆ Manufacture and sale of production lines and flexible manufacturing systems for joint production lines and application robots. ◆ Manufacture and sale of automatic conveyors, automatic pallet stackers, automatic warehousing equipment, unmanned trucks, and robotic arms. ◆ Manufacture, sale, import and export of lifting equipment. ◆ Parking lot business. ◆ Design, processing, manufacture and trading of parking equipment. ◆ Design, planning, manufacturing, processing, trading, construction and maintenance of waste treatment equipment of incinerators. ◆ Design, planning, manufacturing, processing, trading, installation and maintenance of water treatment and water pollution control equipment. ◆ Agent of domestic and foreign manufacturers for the manufacturing, trading and bidding of their products stated above. ◆ Data storage and process equipment manufacturing. ◆ Cable communication machinery equipment manufacturing. ◆ Machinery installation. ◆ Computer equipment installation. ◆ Telecommunication engineering. ◆ Controlled telecommunications radio-frequency devices installation engineering. ◆ Information software services. ◆ Data processing services. ◆ Biotechnology services. ◆ Wholesale of clerical machinery equipment. ◆ Retail sale of clerical machinery equipment. ◆ Wholesale of computer software. ◆ Retail sale of computer software. ◆ Manufacture export. ◆ Aquaculture. ◆ All business items that are not prohibited or restricted by law, except those that are subject to special approval.
Subsidiaries:				

Company name	Date of Incorporation	Address	Paid-in Capital on December 31, 2022	
Kenmec International Holding (BVI) Co., Ltd.	1999.07.28	British Virgin Islands	USD 38,039 thousand	Holding company
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	2005.06.01	No. 8, Hsi Hsia Road, Wang Shan Industrial Park, Wuzhong Economic Development Zone, Suzhou City	USD 38,800 thousand	T.F.T. process equipment, semiconductor process equipment, industrial conveying machinery, and automatic storage equipment.
KENMEC TECHNOLOGY (FUQING) CO., LTD.	2005.07.12	No. 14, Haicheng Road, Yuanhong Development Zone, Houfeng Village, Chengtou Town, Fuqing City, Fujian Province	-	Development, production and sales of new electronic components (chip components), digital video coding equipment, portable microcomputers, new flat-panel displays.
Kentec Inc.	2010.02.11	No. 5, Ziqiang 1st Rd., Zhongli Dist., Taoyuan City	NTD 530,000 thousand	Electronic component manufacturing
Kenmec Communication Holding (BVI) Co., Ltd.	2001.01.16	British Virgin Islands	USD 28,087 thousand	Holding company
KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	2005.06.01	No. 2, East Taihu Road, Wangshan Industrial Park, Wuzhong Economic Development Zone, Suzhou City	USD 26,800 thousand	New electronic components (chip components), digital sounds, etc.
Tainergy Tech. Co., Ltd.	2007.05.15	No. 5, Ziqiang 1st Rd., Zhongli Dist., Taoyuan City	NTD 2,250,000 thousand	Research, design, manufacture and sales of solar cells, modules and related systems
TAINERGY TECH HOLDING (SAMOA) CO., LTD.	2003.01.17	Samoa	USD 70,204 thousand	Holding company
Tainergy Technology (Kunshan) Co., Ltd.	2008.06.25	No. 1288, Fuchunjiang Road, Penglang Township, Kunshan Development Zone, Kunshan City, Jiangsu Province	USD 70,000 thousand	R&D, design and production of high-tech green batteries (solar cells) and other related components
VIETNERGY COMPANY LIMITED	2014.09.17	Plant B, Thach That – Quoc Oai Industrial Zone, Quoc Oai District, Ha Noi City, Vietnam	USD 46,500 thousand	Manufacturing of high-tech green batteries (solar cells) and other related components
KENMEC VIETNAM COMPANY LIMITED	2006.04.17	Plant B, Thach That – Quoc Oai Industrial Zone, Quoc Oai District, Ha Noi City, Vietnam	USD 3,800 thousand	Manufacturing of electric water heaters, engineering machinery
Ample Assets Holdings Ltd.	2011.01.05	Samoa	-	Holding company

Company name	Date of Incorporation	Address	Paid-in Capital on December 31, 2022	
Fraternity Trade Development (KunShan) Co., Ltd.	2011.03.24	No. 8, Zhaofeng Road, Huaqiao Town, Kunshan City, Jiangsu Province	-	Tourism and leisure industry, such as management of hot spring hotels, health and leisure clubs, and slow living and light bite tourism
Suzhou Kenmec Property Development Ltd.	2008.01.10	No. 8, Hsi Hsia Road, Wang Shan Industrial Park, Wuzhong Economic Development Zone, Suzhou City	RMB 252,000 thousand	Real estate business
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	2015.10.21	Room 2, No. 1288, Fuchunjiang Road, Penglang Town, Kunshan Development Zone	RMB 60,000 thousand	Automated flow line equipment and supporting equipment, display production equipment, semiconductor production equipment, etc.
Kunshan Kunfu Electronic Materials Co., Ltd.	2017.10.12	No. 1288, Fuchunjiang Road, Penglang Township, Kunshan Development Zone, Kunshan City, Jiangsu Province	RMB 4,500 thousand	Manufacturing and sales of electronic parts and components
Star Solar New Energy Co., Ltd.	2018.06.21	No. 5, Zihciang 1st Road, Zhongli Industrial Zone, Zhongli District, Taoyuan City	NTD 14,000 thousand	Sales of solar power system engineering
Kunshan Jichang Energy Technology Co., Ltd.	2020.06.11	No. 1288, Fuchunjiang Road, Penglang Township, Kunshan Development Zone, Kunshan City, Jiangsu Province	-	Manufacture and sale of solar power equipment
TAISIC MATERIALS CO.	2020.06.16	No. 5, Zihciang 1st Road, Zhongli Industrial Zone, Zhongli District, Taoyuan City	NTD 500,000 thousand	Electronics components manufacturing
KENTEC ELECTRONICS (SUZHOU) CO., LTD.	2020.08.31	Plant 1, Group 16 and Group 17, Hengshan Wanping Wannan Village, East Taihu Eco-tourism Resort (Taihu New Town), Wujiang District, Suzhou City	RMB 10,000 thousand	New electronic components (chip components), digital sounds, etc.
Hua-Xia Construction Co., Ltd.	1957.01.10	4F., No. 76, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City, Taiwan	NTD 30,000 thousand	Plant construction business
Chief Global Logistics Co., Ltd.	2021.08.13	5F., No. 95, Sec. 2, Nangang Rd., Nangang Dist., Taipei City, Taiwan	NTD 20,000 thousand	Logistics and warehousing business

3. The industries covered by the business operated by the overall affiliated companies: See above.

4. Information of directors, supervisors and Presidents of each affiliated company

December 31, 2022 / Unit: Shares; NTD thousand

Company name	Title	Name of individual or representative(s)	Shareholding	
			Number of shares/net worth	Shareholding percentage (%)
Controlling company KENMEC MECHANICAL ENGINEERING CO., LTD.	Chairman (and President)	CHING-FU HSIEH	24,079,707	9.67
	Director	CHOU-HUANG PAI	12,232,086	4.91
	Director	YUEH-CHEN LIN	18,181,345	7.30
	Director	MING-KAI HSIEH	193,084	0.08
	Independent director	YI-YU LI	0	0.00
	Independent director	CHU-JU PENG	0	0.00
	Independent director	CHIEN-CHOU CHU	0	0.00
Subsidiaries Kenmec International Holding (BVI) Co., Ltd.	Person in charge	KENMEC MECHANICAL ENGINEERING CO., LTD. Legal representative: CHING-FU HSIEH	NTD5,514	100.00
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Person in charge	BVI Legal representative: CHING-FU HSIEH	(NTD217,033)	100.00
KENMEC TECHNOLOGY (FUQING) CO., LTD.	Person in charge	BVI Legal representative: CHING-FU HSIEH	-	-
Kentec Inc.	Person in charge	KENMEC MECHANICAL ENGINEERING CO., LTD. Legal representative: CHING-FU HSIEH	NTD562,198	89.16
Kenmec Communication Holding (BVI) Co., Ltd.	Person in charge	Kentec Inc. Legal representative: CHING-FU HSIEH	NTD251,669	100.00
KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	Person in charge	BVI Legal representative: CHING-FU HSIEH	NTD227,304	89.16
Tainergy Tech. Co., Ltd.	Person in charge	KENMEC MECHANICAL ENGINEERING CO., LTD. Legal representative: CHING-FU HSIEH	NTD542,575	27.17
TAINERGY TECH HOLDING (SAMOA) CO., LTD.	Person in charge	Tainergy Tech. Co., Ltd. Legal representative: CHING-FU HSIEH	NTD820,831	27.17
Tainergy Technology (Kunshan) Co., Ltd.	Person in charge	Samoa Legal representative: CHING-FU HSIEH	NTD223,013	27.17
VIETNERGY COMPANY LIMITED	Person in charge	Tainergy Tech. Co., Ltd. Legal Representative: I-KUANG CHEN	NTD467,199	27.17
KENMEC VIETNAM COMPANY LIMITED	Person in charge	KENMEC MECHANICAL ENGINEERING CO., LTD.	NTD105,344	100.00

Company name	Title	Name of individual or representative(s)	Shareholding	
			Number of shares/net worth	Shareholding percentage (%)
Ample Assets Holdings Ltd.	Person in charge	Legal Representative: I-KUANG CHEN KENMEC MECHANICAL ENGINEERING CO., LTD. Legal representative: CHING-FU HSIEH	-	-
Fraternity Trade Development (KunShan) Co., Ltd.	Person in charge	Ample Assets Holdings Ltd. Legal representative: CHING-FU HSIEH	-	-
Suzhou Kenmec Property Development Ltd.	Person in charge	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. Legal representative: CHING-FU HSIEH	NTD604,936	76.88
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	Person in charge	BVI Legal representative: CHING-FU HSIEH	NTD226,100	100.00
Kunshan Kunfu Electronic Materials Co., Ltd.	Person in charge	Tainergy Technology (Kunshan) Co., Ltd. Legal representative: CHING-FU HSIEH	NTD1,167	27.17
Star Solar New Energy Co., Ltd.	Person in charge	Tainergy Tech. Co., Ltd. Legal Representative – MING-KAI HSIEH	NTD3,886	27.17
Kunshan Jichang Energy Technology Co., Ltd.	Person in charge	Tainergy Technology (Kunshan) Co., Ltd. Legal representative: CHING-FU HSIEH	-	27.17
TAISIC MATERIALS CO.	Person in charge	Tainergy Tech. Co., Ltd. Legal Representative – MING-KAI HSIEH	NTD26,798	8.80
KENTEC ELECTRONICS (SUZHOU) CO., LTD.	Person in charge	KENMEC AUTOMATION ENGINEERING (KUNSHAN) Legal Representative: CHIA-HAO HSIEH	NTD33,374	38.20
Chief Global Logistics Co., Ltd.	Person in charge	KENMEC MECHANICAL ENGINEERING CO., LTD. Legal Representative – MING-KAI HSIEH	NTD18,288	100.00
Hua-Xia Construction Co., Ltd.	Person in charge	KENMEC MECHANICAL ENGINEERING CO., LTD. Legal Representative: CHUN-JEN LIN	NTD17,872	100.00

5. Overview of the operations of each affiliate

December 31, 2022 / Unit: NTD thousand

Company name	Capital	Total assets	Total liabilities	Net Value	Operating revenue	Operating profit	Profit or loss for the period (after tax)	EPS (NTD) (after tax)	Currency
Controlling company KENMEC MECHANICAL ENGINEERING CO., LTD.	2,490,112	6,628,776	3,020,968	3,607,808	2,260,178	228,250	470,074	1.91	NTD
Subsidiaries Kentec Inc.	530,000	780,718	148,997	631,721	396,976	43,011	89,021	1.68	NTD
Kenmec International Holding (BVI) Co., Ltd.	276,850	2,071	0	2,071	0	0	6,778	None	CNY
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	262,346	306,970	356,206	-49,236	78,109	-4,966	-6,914	None	CNY
KENMEC TECHNOLOGY (FUQING) CO., LTD.	0	0	0	0	0	0	0	None	CNY
Kenmec Communication Holding (BVI) Co., Ltd.	204,240	57,094	0	57,094	0	0	2,549	None	CNY
KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	195,279	226,334	169,251	57,083	42,622	17	2,549	None	CNY
Tainergy Tech. Co., Ltd.	2,250,000	2,679,195	506,110	2,176,085	2,216,660	-80,085	110,030	0.49	NTD
TAINERGY TECH HOLDING (SAMOA) CO., LTD.	456,201	186,214	0	186,214	0	0	33,729	None	CNY
Tainergy Technology (Kunshan) Co., Ltd.	451,947	211,409	25,202	186,208	156	-12,562	33,729	None	CNY
VIETNERGY COMPANY LIMITED	1,027,705,000	573,935,056	193,123,373	380,811,683	686,571,431	159,682,009	149,525,420	None	VND
KENMEC VIETNAM COMPANY LIMITED	64,820,456	88,284,282	6,622,268	81,662,014	2,259,137	-8,213,186	2,515,161	None	VND
Ample Assets Holdings Ltd.	-	-	-	-	-	-	-	None	CNY
Fraternity Trade Development (KunShan) Co., Ltd.	-	-	-	-	-	-	-	None	CNY
Suzhou Kenmec Property Development Ltd.	252,000	222,917	62,578	160,339	46,175	-13,227	-16,404	None	CNY
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	60,000	59,873	8,579	51,293	42,435	-161	3,210	None	CNY
Kunshan Kunfu Electronic Materials Co., Ltd.	4,500	1,485	511	975	0	-89	-107	None	CNY
Star Solar New Energy Co., Ltd.	14,000	318,276	307,373	10,903	210,708	6,873	6,290	None	NTD
Kunshan Jichang Energy Technology Co., Ltd.	0	0	0	0	0	0	0	None	CNY

TAISIC MATERIALS CO.	500,000	791,453	153,124	638,329	3,685	-297,780	-295,573	-6.40	NTD
KENTEC ELECTRONICS (SUZHOU) CO., LTD.	10,000	62,829	43,009	19,820	139,618	9,169	7,629	None	CNY
Chief Global Logistics Co., Ltd.	20,000	54,253	15,965	38,288	37,675	22,503	18,396	None	NTD
Hua-Xia Construction Co., Ltd.	30,000	18,950	58	18,892	-	-885	-797	None	NTD

(II) Consolidated Financial Statements of Affiliates

Considering that the companies to be included into the consolidated financial statements of affiliated companies under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under Summary of Statement No. 7 – FASB in 2022 (from January 1, 2022 to December 31, 2022), and the related information to be disclosed in the consolidated financial statements of affiliated enterprises has already disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of affiliated enterprises were prepared separately.

(III) Affiliation report: None.

II. Has the company carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

Where the company has carried out a private placement of securities, disclose the date on which the placement was approved by the Board of Directors or by a shareholders' meeting, the amount thus approved, the basis for and reasonableness of the pricing, the manner in which the specified persons were selected, the reasons why the private placement method was necessary, the targets of the private placement, their qualifications, subscription amounts, subscription price, relationship with the company, participation in the operations of the company, actual subscription (or conversion) price, the difference between the actual subscription (or conversion) price and the reference price, the effect of the private placement on shareholders' equity, and, for the period from receipt of payment in full to the completion of the related capital allocation plan, the status of use of the capital raised through the private placement of securities, the implementation progress of the plan, and the realization of the benefits of the plan: None

III. Holding or disposal of shares in the company by the company's subsidiaries in the most recent fiscal year and up to the date of publication of the annual report

None.

IV. Other necessary supplementary information

None.

V. Events with material impacts on shareholder equity or stock price as specified in Article 36, Paragraph 2, Subparagraph 3 of the Securities and Exchange Act in the most recent fiscal year and up to the date of publication of the annual report

None.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement on Internal Control System

Date: March 10, 2023

The following declaration had been made based on the 2022 self-assessment of the Company's internal control system:

I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the board of the directors and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, and asset security), reliable, timely and transparent financial reporting, and regulatory compliance.

II. There are inherent limitations to even the most well-designed internal control system. Therefore, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.

III. The Company has assessed the effectiveness of its internal control policy design and implementation in accordance with the criteria determining the effectiveness of the internal control policies provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). Criteria introduced by "The Governing Principles" consists of five major elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for more details.

IV. The Company has adopted the aforementioned criteria to validate the effectiveness of its internal control system design and execution.

V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2022. This system (including the supervision and management of subsidiaries) has provided assurance with regard to the Company's business results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.

VI. This statement constitutes part of the Company's Annual Report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or concealment in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. The Statement was passed unanimously without objection by all six directors present at the directors' meeting dated March 10, 2023.

KENMEC MECHANICAL
ENGINEERING CO., LTD.

Chairman: CHING-FU HSIEH (Signature)

President: CHING-FU HSIEH (Signature)